

AUDIT & STANDARDS COMMITTEE
Wednesday 16 June 2021 at 7.30 pm
Council Chamber - Civic Centre

AGENDA

1. Apologies for Absence and Substitutions
2. Declarations of Interest

Councillors' declarations of interest (if any) in relation to any matters on the agenda.
3. Minutes (Pages 3 - 5)

Minutes of the meeting held on 3 March 2021.
4. Matters Arising
5. Written Questions and Petitions
6. Non Contentious Business
7. Audited Annual Account 2018/19 (Pages 6 - 132)
8. External Auditors Audit Results Report 2018/19 (ISA 260)
(Pages 133 - 190)
9. Audit and Standards Committee Annual Report 2020/21
(Pages 191 - 198)
10. Internal Audit Annual Report 2020 (Pages 199 - 220)
11. Annual Governance Statement 2020/21 (Pages 221 - 231)
12. Period 2 Internal Audit Activity Report 2020/21 (Pages 232 - 256)
13. Risk Management Progress Report (Pages 257 - 281)
14. Committee Work Plan (Pages 282 - 283)
15. References from other Committees

Any references arising from meetings held after the publication of this agenda will be circulated separately.

16. Matters of Urgent Business

To deal with any matters of an urgent nature.

**MINUTES OF THE AUDIT & STANDARDS COMMITTEE
HELD ON**

3 March 2021

7.30 - 8.18 pm

PRESENT

Committee Members

Councillor Stefan Mullard (Chair)
Councillor Jean Clark
Councillor Jodi Dunne
Councillor Maggie Hulcoop
Councillor Eddie Johnson
Councillor Russell Perrin
Councillor Chris Vince

Officers

Hannah Criddle, Governance Support Officer
Emma Crouch, Corporate Support Officer
Natalie Hook, Senior Auditor
Simon Freeman, Head of Finance and Deputy to the Chief Executive
Simon Hill, Head of Governance
Sarah Marsh, Internal Audit Manager

Also Present

Steve Bladen, BDO

42. **APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were received from Councillors Simon Carter, Michael Hardware and Shannon Jezzard.

43. **DECLARATIONS OF INTEREST**

None.

44. **MINUTES**

RESOLVED that the minutes of the meeting held on 25 November 2020 are agreed as a correct record and signed by the Chair.

45. **MATTERS ARISING**

a) Minute 34 - Audited Annual Accounts 2018/19

Councillor Perrin asked whether the final 2018/19 Statement of Accounts had been now been approved. Steve Bladen, BDO, advised that the opinion hadn't been issued yet as there were two outstanding issues being

looked into one of which was close to being resolved following further work by council officers.

Councillor Perrin also asked when the 2019/20 Statement of Accounts would come to the Committee. Simon Freeman, Deputy to the Chief Executive and Head of Finance and Property Services, advised that it was expected that the Accounts would be reported to Committee in November 2021.

46. **WRITTEN QUESTIONS AND PETITIONS**

None.

47. **NON CONTENTIOUS BUSINESS**

None.

48. **INTERNAL AUDIT STRATEGY AND PLAN 2021/22**

The Committee received a report on the Internal Audit Strategy and Plan for 2021/22.

RESOLVED that:

A The effectiveness and contribution for the Internal Audit Strategy and Plan within the Council's assurance framework be considered.

B The Committee approved the Audit Strategy and Plan for 2021/22.

49. **PERIOD 11 INTERNAL AUDIT ACTIVITY REPORT 2020/21**

The Committee received a report on the Period 11 Internal Audit Activity 2020/21.

RESOLVED that:

A The Committee reviewed the outcomes of the work of the Internal Audit service for the period December 2020 to March 2021 and identified any issues for further consideration.

50. **COMMITTEE WORK PLAN**

The Committee received its current work plan.

RESOLVED that the work plan is noted.

51. **REFERENCES FROM OTHER COMMITTEES**

None.

52. **MATTERS OF URGENT BUSINESS**

None.

CHAIR OF THE COMMITTEE

REPORT TO: AUDIT AND STANDARDS COMMITTEE

DATE: 16 JUNE 2021

TITLE: AUDITED ANNUAL ACCOUNTS FOR 2018/19

LEAD OFFICER: SIMON FREEMAN, DEPUTY TO THE CHIEF EXECUTIVE AND HEAD OF FINANCE & PROPERTY SERVICES (01279) 446228

RECOMMENDED that:

- A** Upon consideration of the Auditor's Results Report earlier in the agenda, the Committee approves the latest 2018/19 Statement of Accounts presented as Appendix 1 to this report.

BACKGROUND

1. The Statement of Accounts is an important part of the Council's overall financial control and reporting environment which must be presented to an appropriate Committee of the Council and approved to comply with the requirements of the accounting regulations.
2. The draft statement was published on the Council's website on 31 May 2019, has been available on the Council's website since that date and was available for public inspection between 3 June 2019 and 12 July 2019 inclusive.
3. The appointed External Auditor, BDO LLP, has been carrying out the annual audit since June 2019. By the time this Committee meets, the audit will have been concluded. The External Auditor will provide Members of the Committee with a report on their findings.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT)

The production and reporting of the Annual Statement of Accounts is a statutory responsibility and, pending completion of the audit, the latest statements for 2018/19 are appended to this report.

Author: Simon Freeman, Deputy to the Chief Executive and Head of Finance & Property Services

Housing

None specific.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

None specific.

Author: Simon Hill, Head of Governance

Appendices

Appendix 1 – Audited Statement of Accounts 2018/19

Background Papers

All Final Accounts Working Papers held by Accountancy, which have been open to public inspection as required under the Accounts and Audit Regulations 2015.

Glossary of terms/abbreviations used

None.



Harlow District Council

Statement of Accounts

2018/19

Including Narrative Report and Annual Governance Statement

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Contents

NARRATIVE REPORT.....	5
STATEMENT OF ACCOUNTS 2018/19.....	19
Statement of Responsibilities.....	20
Movement in Reserves Statement.....	22
Comprehensive Income and Expenditure Statement.....	23
Balance Sheet.....	24
Cash Flow Statement.....	25
Accounting Policies.....	28
Notes to the Accounts.....	36
Housing Revenue Account.....	911
Collection Fund.....	99
Group Accounts.....	1022
Glossary of Terms and Abbreviations.....	1122
INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE.....	11818
ANNUAL GOVERNANCE STATEMENT.....	11919



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NARRATIVE REPORT

NARRATIVE REPORT

Introduction

Welcome to Harlow District Council's Statement of Accounts for the year ending 31 March 2019.

The Statement of Accounts is a statutory document and provides information on the transactions relating to the provision of services by the Council. Many of the accounting principles used in preparing the Statement of Accounts are complex. This Narrative Report is intended to aid the readers' understanding, it provides commentary on issues relating to Harlow as a town and place to live, the most significant aspects of the Council's financial performance, its year-end financial position and its cash flows.

Harlow is an enterprising and compact New Town in West Essex at the centre of the London-Stansted-Cambridge-Corridor. Designed by Sir Frederick Gibberd the town is made up of self-contained local neighbourhoods with a variety of shopping hatches and employment areas

Harlow is home to Harlow College, The University Centre Harlow and the Sir Charles Kao University Technical College. The town also has a 51 hectare Enterprise Zone (EZ), which is one of the 48 sites across the U.K selected by Government to provide a platform for economic growth and deliver benefits for business.

The Enterprise Zone investment will be used to develop a new Life Science Park; building on the town's pioneering traditions and bringing jobs to the area. Construction of the site infrastructure completed in June 2018. Construction of the first two buildings on the Science Park site began in September 2018 one of which will be owned by Harlow Council and the other by Anglia Ruskin University. The development of a further plot on the site is expected to commence in autumn 2019. New tenants have been secured at Kao Park (former Nortel site) with the office space now at 85% occupancy. Construction on the first data centre building completed in January 2018 and it is expected that work will start on a second data centre building before the end of 2019. Further details of the Enterprise Zone, together with associated web links, are available to view on-line at: <http://www.harlowez.gov.uk>.

A Council funded capital scheme to refurbish the retail, commercial and residential properties at Prentice Place is expected to complete in 2019/20.

Further developments in the town include the development of Public Health England's (PHE) new public health science campus and headquarters on the former GlaxoSmithKline site. The campus is expected to employ up to 2,750 people when it is fully operational in 2024 and will deliver solutions for issues such as smoking, alcohol, diabetes, dementia and environmental hazards.

Harlow retains many of the features, art, cultural and leisure facilities which made it so popular in the post-war years. It has also retained a large proportion of social housing and has the second highest level of council housing in Essex. The Council has prioritised investment in this area to ensure decent homes for all.

Financial Context

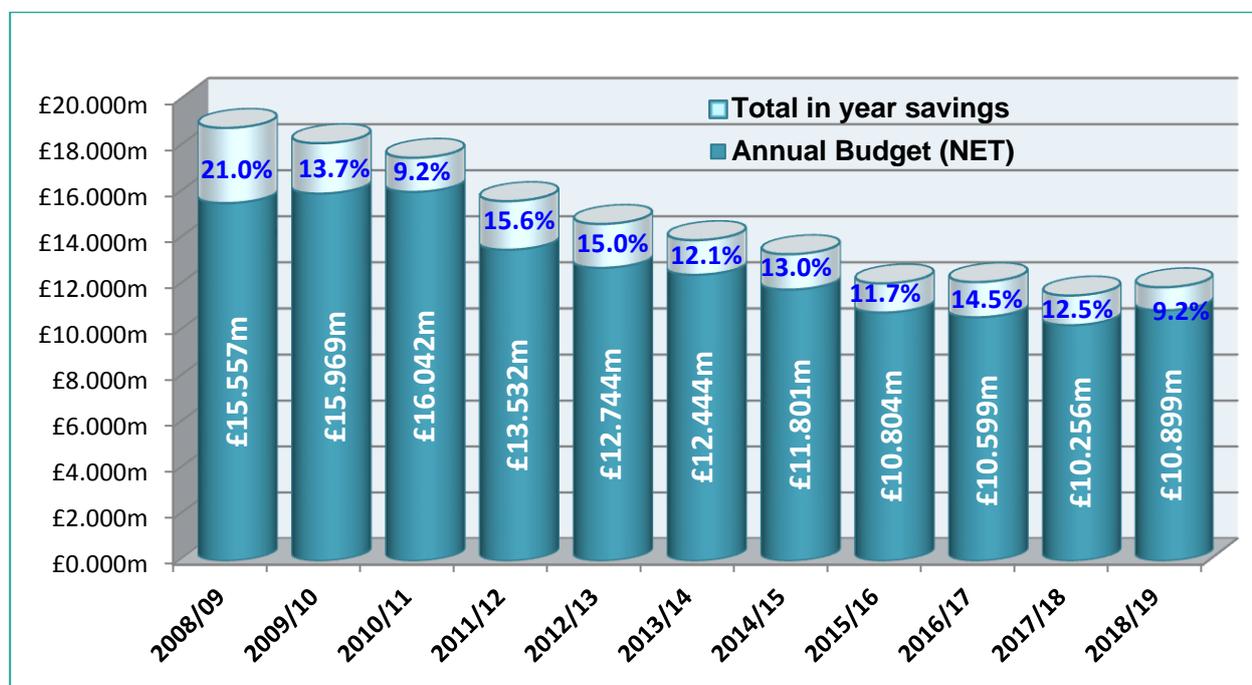
The Council has an annual net General Fund expenditure of £12.4 million and over 2,500 leasehold properties at a gross cost of over £50 million. The Council currently delivers an annual capital investment programme of £27.6 million.

The services it provides affect the lives of everybody who lives in, works in or visits Harlow. Over the last eleven years, in response to the financial challenges it has faced, the Council has achieved significant financial savings totalling £19 million in its General Fund over that period.

NARRATIVE REPORT

The Council has achieved all of this whilst managing to protect front line services with partnership working and with the voluntary and private sectors being used wherever possible to maintain access to services.

This financial achievement is illustrated in the chart below, with annual budget values contained in the table that follows:



	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s
Total in year savings	3,260	2,183	1,479	2,107	1,906	1,502	1,534	1,264	1,527	1,286	1,000
Cumulative savings	3,260	5,443	6,922	9,029	10,935	12,437	13,971	15,235	16,762	18,048	19,048
Annual Budget (NET)	15,557	15,969	16,042	13,532	12,744	12,444	11,801	10,804	10,599	10,256	10,899
Annual savings as % of Annual Budget (NET)	21.0%	13.7%	9.2%	15.6%	15.0%	12.1%	13.0%	11.7%	14.4%	12.5%	9.2%

Over the same period the Council's main Government grant funding to support General Fund services has reduced by over 66 percent. There remains uncertainty over the likely levels of funding available to the Council in future years as a result of the Government's proposals to change the whole funding arrangements from 2020/21. The Council has a three-year financial strategy setting out how it will balance the books based upon the best information it currently has available to it.

The Council has also made significant savings over the same period in its Housing Revenue Account. Again, this has been achieved whilst improving the standard of housing to meet Government Decency standards, maintaining access to services and improving performance and

NARRATIVE REPORT

against a backdrop of a four year centrally enforced housing rent reductions policy imposed by the Government.

Financial information, including the Council's budgets, sources of income, and the budget gaps projected by the Council is contained within the Council's Medium Term Financial Strategy. This can be found on the Council's website at: (<https://www.harlow.gov.uk/finances>).

Results for 2018/19

Revenue spending - General Fund

Each year the Council approves its annual revenue budget against which the costs of providing services are monitored. This is also used to determine the Council's budget requirement for Council Tax setting purposes. Throughout the year the budget is reviewed to take account of changing circumstances such as policy changes and the impact of internal and external factors affecting operating cost and income levels.

The Council set a budget for spending on General Fund services of £10.142 million to be financed from grant funding (£3.174 million), a share of the Collection Fund surplus (£0.757 million) and from Council Tax (£6.968 million).

The Council's share of the total council tax for a Band D property was set at £272.28, unchanged on the previous year.

The following table summarises the outturn position for the Council's General Fund:

NARRATIVE REPORT

General Fund Outturn	Original Estimate £000s	Revised Estimate £000s	Actual £000s	Variance To Original £000s
Council Services				
Managing Director	18	27	-	(18)
Finance	3,337	3,337	3,581	244
Community Wellbeing	4,120	4,212	4,175	55
Housing (GF)	1,108	1,104	936	(172)
Governance	763	768	509	(254)
Place	3,888	3,923	3,864	(24)
Net Service Expenditure	13,234	13,371	13,065	(169)
Reversal of capital charges	(2,510)	(2,510)	(1,574)	936
Net Interest Payable	56	56	(183)	(239)
MRP	285	285	250	(35)
Other Operating costs	-	-	(373)	(373)
Other Operating income	(2,057)	(2,057)	(7,242)	(5,185)
	9,008	9,145	3,943	(5,065)
Transfers to / (from) reserves	1,134	1,134	8,450	7,316
Total Net Spending for the Year	10,142	10,279	12,393	2,251
Met by:				
Council Tax	(6,968)	(6,968)	(6,968)	-
Government Grants	(3,174)	(3,174)	(3,178)	(4)
Contribution To / (From) Balances	-	(137)	(2,247)	(2,247)
	(10,142)	(10,279)	(12,393)	(2,251)

General Fund Budget Variations (Actual Against Original Estimate)

During 2018/19 the Council's total net expenditure on its General Fund was £12.4 million (£9.1 million 2017/18), which was offset by income from Council Tax and Government Grants. Net service expenditure, at £13.1 million, was slightly lower (£0.169 million) than the original estimate. Income was considerably higher as a result of windfall business rates retained and the winding up of the joint venture company and has allowed for a transfer into the Council's business rates equalisation reserve to be made to protect against future volatility in business rates income.

The Council's funding from Central Government in 2018/19 reduced by 10.1% compared to the previous year. Despite this, however, the Council has succeeded in continuing to deliver key services to the residents within Harlow.

The General Fund Balance as at 31 March 2019 stands at £4.488 million; a reduction of £2.247 million compared to the previous year. This continues to compare favourably with the Council's recommended minimum working balance of £2.5 million. A proportion of this balance (£0.138 million) will be used to support spending plans that will be carried forward into 2019/20. The purpose of the General Fund is to enable the Council to hold sufficient resources to help both protect itself financially into the future and to protect the services it delivers to Harlow.

NARRATIVE REPORT

Revenue spending - Housing Revenue Account

The following table summarises the outturn position:

	Current Estimate	Actual	Variance
	£000	£000	£000
Expenditure			
General Management	11,337	11,419	82
Supervision and Management	7,353	7,227	(126)
Repairs	10,009	10,108	99
Rents, Rates, Taxes and Other Charges	35	50	15
Provision for Bad and Doubtful Debts	300	205	(95)
Supporting People Transitional Arrangements	5	5	0
Major Repairs Allowance (Net Depreciation)	11,439	10,362	(1,077)
Interest Charges	17	8	(9)
Debt Management Expenses	6,669	6,696	27
Revenue Contribution to Capital Expenditure	5,914	3,950	(1,964)
Transfers to/from Insurance Fund	112	196	84
Total Spending for the year	53,190	50,226	(2,964)
Income			
Dwelling Rents	(43,175)	(42,908)	267
Non-Dwelling Rents	(1,142)	(965)	177
Other Rents	(65)	(63)	2
Charges for Services and Facilities	(5,006)	(5,779)	(773)
Interest Receivable	(62)	(138)	(76)
Total Income for the year	(49,450)	(49,853)	(403)
Net HRA (Surplus)/Deficit	3,740	373	(3,367)

The Council set a budget for spending on Housing Revenue Account services of £52.968m which was increased after year end by approved revenue carryovers of £0.222m. Capital carryovers of £5.187m also increased the revenue contribution to capital.

Housing Revenue Account Budget Variations (Actual Against Original Estimate)

The net of expenditure and income in the Housing Revenue Account for 2018/19 varied by a favourable £3.367m.

The principal reasons for the overall variance on the HRA include:

- General Management: Staffing vacancies and programme and project management fees contributed to a favourable variance of £546,000. Home loss payments and moving incentives arising from Priority Estates were £159,000 less than originally estimated due to the difficulty of forecasting demand and uncertainty around tenant removal and home loss claims.
- Changes to HTS (Property & Environment) Ltd. pension contributions, a wholly owned subsidiary of Harlow Council, resulted in an adverse variance of £61,000.

NARRATIVE REPORT

- The cost of homeless prevention, as anticipated increased in line with the national trend, with expenditure in year of £871,000 representing a favourable variance of £14,000. The Council received a Rough Sleepers Grant from the Government, £179,000 of which was allocated to the HRA to support homelessness prevention.
- The Provision for Bad and Doubtful Debts was set at £300,000 in anticipation of possible arrears following the implementation of Universal Credit in Harlow. The provision required for 2018/19 was £205,000, a reduction of £95,000.
- Non-operational variances totalling a favourable £3.488m relates to a decrease in depreciation charge in the Major Repairs Reserve of £1.077 million and increased income from major capital works of £0.448 million together with a decrease in the Direct Revenue Contribution to Capital of £1.964 million. The reduced contribution follows a lower than estimated outturn in the Housing Capital Programme, and is attributable also to a carry-over of work totalling £3.608 million to 2019/20.
- Income: Dwelling Rents were £267,000 lower than estimated due to an increase in the number of void properties received, and an increase in the number requiring major works which has resulted in longer void periods. An increase in voids also affected garage rents which were £177,000 less than budgeted.

Capital spending

In its capital investment programme aligned with both General Fund and Housing services, the Council incurred capital expenditure totalling £27.6 million in 2018/19 against an approved programme of £34.4 million Schemes to the value of £5.1 million are to be carried forward for works due to be undertaken during 2019/20.

Major housing schemes included

- General improvements to homes (including internal and external works, windows and doors, electrical works) £8.8 million
- Lift refurbishments £0.9 million
- Disabled facilities to dwellings; £1.04 million
- Energy Efficiency work (includes upgrades to District Heating and communal boilers); £3.6 million.
- Fire safety and work to Tower Blocks £1.87 million
- New build schemes £0.33 million

Other schemes included

- Restoration of Oakwood Pond, Nettewell Pond and other flood prevention; £0.181 million
- Refurbishment of commercial properties including the Latton Bush Centre; £0.67 million
- Improvements to the Town Centre Public Realm £0.317 million
- Improvements to The Stow Public Realm £0.105 million
- Renovation of Harlow Playhouse as part of a 4 year project; £0.44 million

NARRATIVE REPORT

- Prentice Place Development; £1.2 million
- Improvements within Harlow Town Park (Inclusive Play Area including equipment, the Walled Garden and signage and bins); £0.307 million.

Programme of Development

In 2018/19 the Council held £2.3 million as the Accountable Body for Programme of Development regeneration schemes. The grant monies included £1.95 million for capital work which were made available by the MHCLG to the Council and its partner local authorities for approved regeneration schemes.

During 2018/19 the Council drew down a total £0.699 million of which £0.385 million funded capital expenditure for work towards the regeneration of specific areas of Harlow. Claims from partner authorities drew down a total of £0.314 million to fund capital works.

Internal Capital Financing

The Council can borrow to fund capital expenditure where prudent and affordable to do so, either from external sources such as the Public Works Loan Board or from internal resources.

In 2018/19 capital investment was financed by £7.07 million from internal resources. The Council has not borrowed to finance the housing capital programme but has used surplus resources.

Revaluation of Land and Property Assets

The Council has its land and property assets revalued on a rolling basis which ensures the assets are revalued at least once every five years in accordance with statutory guidance. The Council has appointed new valuers to carry out its non-housing valuations from 2015/16. The valuation for 1 April 2018 represents the fourth year of a five year cycle.

Funding the Capital Programme

General Fund Capital Programme expenditure totalled £5.043 million and was funded through a combination of Direct Revenue Financing (£0.269 million), Grants and other Contributions (£1.351 million), Capital Receipts (£1.481 million) and Internal Borrowing (£1.942 million).

Housing Capital Programme expenditure totalled £17.205 million and was financed from Revenue Reserves (£3.950 million), Major Repairs Reserve (£10.362 million), Capital Receipts (£2.762 million) and Other Contributions (£0.131 million).

Borrowing Facilities

The Council's normal source of external borrowing is the Public Works Loans Board (PWLB), a division of HM Treasury and a facility unique to the public sector. Whilst the projections for the non-housing capital programme are for an underlying need to borrow, the Council's policy is to use the proceeds from the sale of assets as its first funding source to fund the programme. Proceeds from sales remain limited due to present economic conditions and their impact on the property market. The Council has again decided to borrow internally while it has a strong cash flow position, removing the need to borrow externally in 2018/19 and avoiding financing costs. Future receipts will be utilised to offset this internal borrowing. In the medium term the financial strategy assumes there will be a need to borrow externally as the disposal of assets and associated receipts become fewer and less predictable.

NARRATIVE REPORT

Current Assets and Current Liabilities

The level of current assets reported in the balance sheet has reduced from £49.533 million at 31 March 2018 to £40.934 million as at 31 March 2019, a decrease of £8.599 million. The most significant movements were:

- a decrease of £3.797 million in short-term investments placed for periods exceeding three months in duration;
- a decrease of £4.102 million in the level of cash and cash equivalents held, due to a decrease in investments placed for periods shorter than three months;
- a decrease in the level of short-term debtor balances of £0.733 million.

Current liabilities have increased from £14.913 million at 31 March 2018 to £17.740 million as at 31 March 2019, an increase of £2.827 million. This increase is largely represented by a £2.959 million increase in sundry creditors, as shown in note 15 which accompanies the financial statements.

Other Long Term Liabilities - Pension Fund

Pension Fund liabilities have reduced from £92.154 million as at 31 March 2018 to £78.182 million as at 31 March 2019. This reduction is based on the Council's Actuarial assessment of pension assets compared to liabilities.

Financial Prospects Looking Forward

General Fund

The 2018/19 outturn position was strong notwithstanding a reduction in the General Fund Balance of £2.247 million in the year. This provides a firm foundation for maintaining service delivery to the local community including discretionary services. Notwithstanding future expenditure commitments and Government fiscal tightening, there is also scope for further investment in the future whilst continuing to protect council tax bills. General Fund Earmarked Reserves now stand at £25.681 million with a further £4.488 million held in the General Fund working balance.

The Council's Medium Term Financial Plan for 2019/20 to 2021/22, agreed at Council in February 2019, shows that there remain challenges to enable a balanced budget proposal to be delivered, albeit significantly lower than has been the case in previous years. Whilst Government funding announcements, business rates retention proposals and economic conditions may impact upon this position, the Council is in a much stronger financial position now than it has been in previous financial years.

Despite the strong financial position in which the Council finds itself the significant changes planned by the Government in terms of local authority funding and how these changes may manifest themselves locally means that the protection of services cannot be guaranteed in future years.

Going forward there will remain uncertainties and risks which the Council needs to monitor which include:

- any significant, unexpected variations in actual income and expenditure against budget;
- the continuing impact of the proposals to overhaul local authority funding through the current business rates retention reforms and proposed fairer funding regime;
- the local impacts of the Government's welfare reform programme;
- the continuing uncertainty surrounding and effect of Brexit;

NARRATIVE REPORT

- movements in interest rates - with bank base rates at an all-time low, investment income earned is suppressed despite diversification in the investment portfolio, whilst any increases in the longer-term could adversely impact on the cost of borrowing by the Council in delivering its capital programmes;
- additional pressures arising or non-delivery of savings that have an on-going financial impact on the Council;
- the knock-on implications of funding cuts being experienced by partner organisations.
- continued pressure on the Council's income streams such as off-street parking facilities, planning, licensing and rental income from businesses;
- increased demand for council services, such as for the housing of homeless families especially in light of the new responsibilities placed on local authorities in this regard.

Housing Revenue Account

To ensure the sustainability of the housing service, the Council publishes a 30-year Business Plan annually. The HRA Business Plan 2018-2048 produced a balanced account, maintaining sufficient minimum working balances over the medium term, and aiming to:

- maintain compliance of the Council's housing stock to housing regulatory requirements by continuing with the replacement regime (based on stock condition survey) for internal and external property components (e.g. kitchens, bathrooms, central heating systems, roofs and external structure of homes);
- prioritise resources to safeguard the well-being and safety of the Council's tenants in their homes with regard to increased statutory and legislative landlord requirements for fire safety, electrical (communal) safety, asbestos management and lift maintenance;
- prioritise energy efficiency initiatives that alleviate fuel poverty;
- prioritise resources for disabled adaptations to meet statutory requirements and keep under review annually;
- reduce resources to garage-related works and re-prioritise the approved Garage and Hardstand Strategy;
- realise further efficiencies from responsive repairs programmes and scope of works; and
- develop a programme for the delivery of affordable housing, social rented, and the building of new council housing in accordance with local plan priorities, regeneration priorities, and affordability/viability.

The Housing Revenue Account faces a variety of major challenges, set out as follows.

- The outcome of the Grenfell Tower Inquiry will have inevitable implications for landlords across the country. Fire Risk Assessments for the Council's tower blocks confirm that all are inherently safe from fire. The outcome of the Inquiry may place additional or higher specification of work to mitigate fire risk and ensure containment.
- In July 2015, the Government announced a legislative requirement for social landlords to decrease rents annually by one percent over four financial years (2016/17 – 2019/20). This challenges councils to make efficiencies in order to deliver sustainable services. It has now been announced that from April 2020 rents may increase by no more than CPI +1 percent.

NARRATIVE REPORT

- Welfare Reform - the Government's reduction in benefits to non-working families may have an adverse impact on tenants' ability to pay rent. Additionally, Essex County Council has reduced Housing Related Support to the Council.
- Continuing development of a Capital Programme to deliver decent homes in partnership with contractors, and the need to deal with unexpected outcomes, such as fire safety and regulation, especially in light of constraints arising from the reduction in rental income from 2016/17.
- The Homeless Reduction Act 2017, implemented from April 2018, placed a legal duty on councils to take steps to intervene to prevent homelessness happening in the first place, rather than focusing on accommodating people who are already homeless. This has already and will continue to have financial implications for the Council in terms of the increased new duties that apply.
- The ongoing uncertainties of the effect of Brexit on the country's economic outlook.

Performance Management

Central Government requires all Councils to collect and report data relating to their function as a Local Authority in areas such as waste, planning, benefits and housing.

The Council monitors its performance against its Corporate Priorities, Principles and Goals through its Performance Management Framework. The Framework sets out the mechanisms for performance management within the Council, which utilises a range of tools to assist staff and Councillors in gathering and reporting on its performance data. Outcomes are formally reported to Councillors in structured Joint Finance and Performance Reports (JFPR), which are presented quarterly to Cabinet.

For example, the JFPR brings together the Council's performance on Key Performance Indicators (KPIs), risk, finance and service milestones. The report illustrates what the Council has achieved in providing its services, the delivery of its Corporate Priorities and Principles; and the management of its finances against its budgets.

The Council's Priorities, Principles, Goals and achievements in 2018/19 are set out in its Corporate Plan 2019 – 2022, available on the Council's website at: (<http://www.harlow.gov.uk/corporate-plan-2019-22pdf>).

The Council achieved an overall performance of 100% for its KPIs (on or above target), 94% of the Service milestones completed in the financial year 2018/19; and 6% of the Service milestones were deferred due to changing priorities.

To view the Council performance data and reports, please visit our website at:
www.harlow.gov.uk/performance-reports

Explanation of the contents of the Statement of Accounts

Set out below are more detailed explanations relating to each of the main core elements of the Statement of Accounts, to aid further your understanding of what each key statement represents and what it can tell you regarding the Council's financial position.

Councils' accounts are prepared in accordance with proper accounting practices defined by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("The

Statement of Accounts 2018/19

NARRATIVE REPORT

Code”). The Code specifies the accounting principles and practices required to present a ‘true and fair’ view of a council’s financial position, financial performance and cash flows. It requires councils to prepare their financial statements in the manner prescribed by the International Accounting Standards Board (IASB). The IASB sets out the concepts underlying the preparation and presentation of the statements for the benefit of external users of the accounts. However, if an accounting treatment is prescribed by law, it overrides accounting concepts set by the IASB, if different.

Statement of Responsibilities (page 20)

Councils are required to set out the respective responsibilities of the Council and of the Head of Finance and Deputy to the Chief Executive in relation to the accounts.

Movement in Reserves Statement (page 22)

This shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’. It shows how the movements in year of the Council’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. The Net Increase/ Decrease line shows the statutory General Fund and Housing Revenue Account Balance movements in the year following those adjustments.

Comprehensive Income and Expenditure Statement (page 23)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and rents. The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may differ from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis.

Balance Sheet (page 24)

The Balance Sheet shows the value of assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category is usable reserves - those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve which can only be used to fund capital expenditure or repay debt). The second category is unusable reserves - those that the Council is not able to use to provide services. It includes reserves that hold unrealised gains and losses (such as the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding under regulations’.

Cash Flow Statement (page 25)

This statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities indicates the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery. Cash flows

NARRATIVE REPORT

arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council (i.e. borrowing).

Expenditure and Funding Analysis (page 37)

The analysis shows how funding available to the Council for the year (from Government grants, rents, Council Tax and Business Rates) has been used in providing services compared to those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Housing Revenue Account (HRA) (page 91)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and Government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Collection Fund Accounts (page 99)

The Collection Fund is an "agent's" statement reflecting the Council's statutory obligation as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates (NDR, also known as Business Rates).

Group Accounts (page 102)

The Code requires local authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Harlow Council is the sole shareholder in the HTS (P&E) Ltd. Company and group financial statements have therefore been included within the Statement of Accounts in accordance with IFRS 10 and are shown in pages 102 to 111. The Group Accounts comprise the Movement in Reserves Statement; the Comprehensive and Income Expenditure Statement; the Balance Sheet; the Cash Flow Statement and associated notes.

In Conclusion

I would like to thank finance staff and the staff in other service areas for their work in preparing these Statements. I hope the information is helpful in allowing you to have a clear understanding of how the Council's money has been spent in 2018/19.

NARRATIVE REPORT

If you would like to find out more about the Council's finances, including its budgets and earlier years' accounts, you can:

- visit our website at www.harlow.gov.uk/your-council/spending-and-performance
- contact me by e-mail at simon.freeman@harlow.gov.uk
- write to us at:
Harlow District Council
Civic Centre
The Water Gardens
Harlow
Essex
CM20 1WG
- or, contact our auditors BDO LLP via the Audit Manager, Francesca Palmer at Francesca.Palmer@bdo.co.uk

Simon Freeman
Head of Finance and Deputy to the Chief Executive
31 January 2021

STATEMENT OF ACCOUNTS 2018/19

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 this Council, that officer is the Head of Finance and Deputy to the Chief Executive;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Responsibilities of the Head of Finance and Deputy to the Chief Executive

The Head of Finance and Deputy to the Chief Executive 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 (the CODE).

In preparing this Statement of Accounts, the Head of Finance and Deputy to the Chief Executive has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent, and
- complied with the CIPFA Code of Practice on Local Authority Accounting.

The Head of Finance and Deputy to the Chief Executive 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.

The draft Statement of Accounts as set out on pages 19 to 110 presents a true and fair view of the financial position of Harlow District Council as at 31 March 2019 and its financial performance and cashflows for the year ended 31 March 2019.

The unaudited accounts were issued on 31 May 2019 and, when completed, the audited accounts are due to be presented to the Council's Audit and Standards Committee on 31 July 2019 for review, immediately prior to being authorised and issued for publication.

Signed Date
Simon Freeman CPFA
Head of Finance and Deputy to the Chief Executive

Signed Date
Councillor Stefan Mullard
Chair of Audit and Standards Committee



CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied Account £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Council Reserves £000s
Balance at 31 March 2017 carried forward	5,459	16,459	12,973	4,434	1,893	3,583	44,803	505,782	550,585
Movement in reserves during 2017/18									
Surplus / (Deficit) on the provision of services	3,002		(33,881)				(30,879)		(30,879)
Other Comprehensive Income and Expenditure								88,022	88,022
Total Comprehensive Income and Expenditure	3,002		(33,881)				(30,879)	88,022	57,143
Adjustments between accounting basis & funding basis under regulations (Note 6)	(955)		35,081		5,165	(1,637)	37,654	(37,654)	
Net Increase / (Decrease) before Transfers to Earmarked Reserves	2,047		1,200		5,165	(1,637)	6,775	50,368	57,143
Transfers to/ (from) Earmarked Reserves (Note 16)	(771)	771	(71)	71					
Increase / (Decrease) in 2017/18	1,276	771	1,129	71	5,165	(1,637)	6,775	50,368	57,143
Balance at 31 March 2018 carried forward	6,735	17,230	14,102	4,505	7,058	1,946	51,578	556,150	607,728
Movement in reserves during 2018/19									
Surplus / (Deficit) on the provision of services	(6,430)		(16,476)				(22,906)		(22,906)
Other Comprehensive Income and Expenditure								30,579	30,579
Total Comprehensive Income and Expenditure	(6,430)		(16,476)				(22,906)	30,579	7,673
Adjustments between accounting basis & funding basis under regulations (Note 6)	12,633		16,100		(2,584)	(648)	25,501	(25,501)	
Net Increase / (Decrease) before Transfers to Earmarked Reserves	6,203		(376)		(2,584)	(648)	2,595	5,078	7,673
Transfers to/ (from) Earmarked Reserves (Note 16)	(8,450)	8,451	5	(5)					
Increase / (Decrease) in 2018/19	(2,247)	8,451	(371)	(5)	(2,584)	(648)	2,595	5,078	7,673
Balance at 31 March 2019 carried forward	4,488	25,681	13,731	4,500	4,474	1,298	54,173	561,228	615,401

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Notes	2018/19 Gross Expenditure £000s	2018/19 Gross Income £000s	2018/19 Net Expenditure £000s	2017/18 Net Expenditure Restated £000s
Managing Director and Services		185	-	185	240
Corporate Services		1,052	-	1,052	877
Community Wellbeing		7,606	(2,277)	5,330	4,424
Finance		32,770	(29,577)	3,193	(6,929)
Place		15,826	(11,760)	4,066	7,162
Housing GF		2,292	(937)	1,355	976
Governance		2,105	(337)	1,768	1,612
Housing HRA		53,327	(49,023)	4,304	11,510
Cost of Services		115,163	(93,910)	21,253	19,872
Other Operating Expenditure	7			6,356	15,626
Financing and Investment Income and Expenditure	8			8,712	9,774
Taxation and Non-Specific Grant Income	9			(13,415)	(14,394)
(Surplus)/ Deficit on Provision of Services				22,906	30,878
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets				(14,490)	(73,153)
(Surplus)/ Deficit on Revaluation of Available for Sale Financial Assets				3	(77)
Actuarial (Gains)/ Losses on Pension Assets and Liabilities				(16,092)	(14,792)
Other Comprehensive Income and Expenditure				(30,579)	(88,022)
Total Comprehensive Income and Expenditure				(7,673)	(57,144)

Note: Cost of Services has been restated in 2017/18 to correct property devaluation charges made totalling £1.036 million (Community Wellbeing £0.364 million, Place £0.286 million, Housing HRA £0.386 million) which should have been included in Deficit on Revaluation of Property, Plant and Equipment Assets. It has also been restated to correct prior year adjustments described in notes 10, 13, 15 and 31.

BALANCE SHEET

		2018/19	2017/18	2016/17
	Note	£000s	Restated **	Restated ***
		£000s	£000s	£000s
Property, Plant and Equipment	10	871,790	871,032	835,277
Heritage Assets	11	1,738	1,622	1,622
Investment Property		1,347	1,337	1,789
Intangible Assets		623	766	954
Long-Term Investments	12	3,961	1,955	1,866
Long-Term Debtors	36	4,136	1,417	1,680
Long-Term Assets		883,595	878,129	843,188
Short-Term Investments	12	7,524	11,321	14,048
Assets Held for Sale		1,554	1,528	2,497
Inventories		40	33	34
Short-Term Debtors	13	10,315	11,048	11,011
Cash and Cash Equivalents	14	21,501	25,603	20,530
Current Assets		40,934	49,533	48,120
Short-Term Borrowing	12	(81)	(81)	(80)
Short-Term Creditors	15	(16,523)	(13,564)	(17,121)
Short-Term Provisions		(1,133)	(1,117)	(1,110)
Grants Receipts in Advance - Revenue	26	(3)	(151)	-
Current Liabilities		(17,740)	(14,913)	(18,311)
Long-Term Creditors	12	(224)	(383)	(317)
Long-Term Borrowing	34	(211,837)	(211,837)	(211,837)
Other Long-Term Liabilities	35	(78,182)	(92,154)	(110,029)
Grants Receipts in Advance - Capital	26	(999)	(539)	(244)
Grants Receipts in Advance - Revenue		(148)	(108)	-
Long-Term Liabilities		(291,390)	(305,021)	(322,427)
Net Assets		615,400	607,728	550,570
Usable Reserves	16	(54,174)	(51,579)	(44,803)
Unusable Reserves	17	(561,226)	(556,149)	(505,767)
Total Reserves		(615,400)	(607,728)	(550,570)

** See Notes 10, 13,15 and 31 *** See Note 31.

Note: Investment Property as at 31 March 2018 has been reduced by £0.569 million from an original £1.906 million to £1.337 million to reflect the removal of telecommunication masts from the classification.

The unaudited accounts were issued on 31 May 2019 and the audited accounts were authorised for issue on **XX October 2019**. The draft Statement of Accounts as set out on pages 19 to 110 presents a true and fair view of the financial position of Harlow District Council as at 31 March 2019 and its income, expenditure and cashflows for the year ended 31 March 2019.

Signed: Deputy to the Chief Executive and Head of Finance & Property Services. 31 May 2019

Statement of Accounts 2018/19

CASH FLOW STATEMENT

	Notes	2018/19 £000s	2017/18 £000s
Net Surplus/(Deficit) on the Provision of Services		(22,906)	(36,897)
Adjustments to Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements		46,163	60,484
Adjustments for Items Included in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities		(7,820)	(6,577)
Net Cash Flows from Operating Activities	18	15,437	17,010
Investing Activities	19	(17,988)	(10,435)
Financing Activities	20	(1,551)	(1,502)
Net (Increase)/Decrease in Cash and Cash Equivalents		(4,102)	5,073
Cash and Cash Equivalents at the Beginning of the Reporting Period		25,603	20,530
Cash and Cash Equivalents at the End of the Reporting Period		21,501	25,603



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ACCOUNTING POLICIES and NOTES TO THE ACCOUNTS

ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's financial transactions for 2018/19 and its position at 31 March 2019. The Accounts and Audit Regulations 2015 require the Council's accounts to be prepared in accordance with proper accounting practices, namely the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis.

ii. Recognition of Income and Expenditure

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

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Government grants and third party contributions are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that the grants or contributions will be received. Where conditions attached to grants or contributions have not been satisfied, monies received to date are carried in the Balance Sheet as creditors and credited to the Comprehensive Income and Expenditure Statement (CIES) when the conditions are satisfied. Where capital grants are credited to the CIES they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Supplies are recorded as expenditure when they are consumed. If there is a gap between the date supplies are received and their consumption, they are carried as inventories in the Balance Sheet. Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours demand without material penalty. Cash equivalents are highly liquid investments that mature in three months or less and that are readily convertible to known amounts of cash with low risk of change in value.

iv. Collection Fund

The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities, central government and precepting bodies of council tax and non-domestic rates (NDR). There is no requirement for a separate Collection Fund

Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the bodies (i.e. major preceptors, the billing authority and the Government).

The Collection Fund is effectively an agency account from which income, expenditure and balance sheet transactions are apportioned between the Council, central government and precepting bodies.

The council tax and NDR income included in the CIES is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR which must be included in the Council's General Fund. As a result, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

v. Employee Benefits

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure in the relevant service line in the CIES.

Termination Benefits

When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective service line in the CIES.

Post-Employment Benefits

Council employees are members of the Local Government Pensions Scheme (LGPS), administered by Essex County Council. The scheme provides defined benefits (retirement lump sums and pensions) to members, earned whilst employees are working for Council.

The LGPS is accounted for as a defined benefits scheme

- The liabilities of the Essex County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of future earnings for current employees.
- The assets of Essex County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.

The change in the net pension liability is analysed into its components:

- Service Cost: the increase in liabilities as a result of years of service earned this year (current service cost) is allocated in the CIES to the services for which the employees worked. Past service cost is a change to the defined benefit obligation resulting from a scheme amendment or curtailment. The Council's accounts also recognise a gain or loss on settlement when the settlement occurs. The settlement is deemed to occur when the Council enters into a transaction which eliminates all further obligations for part or all of the benefits provided under the scheme.
- Net interest on the net defined benefit liability: the expected increase in the present value of liabilities during the year as they move one year closer to being paid offset by the interest on assets which is the interest on assets held at the start of the year and cash flows occurring during the period. The result is debited to the Financing and Investment Income and Expenditure line in the CIES.

- Remeasurements: these comprise the return on plan assets excluding amounts included in net interest and actuarial gains and losses (changes in the net pension liability which arise because actuaries have updated their assumptions). These are charged to the CIES as Other Comprehensive Income and Expenditure.
- Contributions paid to the Essex County Council Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies applied to the Local Government Pension Scheme.

vi. Harlow Trading Services (Property and Environment) Ltd. (HTS)

HTS is a wholly owned company of the Council providing a range of environmental and property maintenance services in the district. Except in respect of the treatment of the company’s attributable pension fund liability, its accounting policies are not materially different to those of the Council and the appropriate elements of its accounts are included in the group accounts. HTS is an admitted body to the Local Government Pension Scheme referred to in paragraph v. As such, HTS makes fixed contributions to the pension fund and its employees in the scheme are entitled to the post-employment benefits from the scheme. The Council makes further contributions to the fund in respect of HTS employees so that the total contributions reach the level necessary to ensure that the pension liability attributable to HTS is fully funded. That pension fund liability is excluded from both the pension disclosures in the single entity accounts of the Council and the accounts of the company. HTS’ accounting policies have been aligned to those of the Council so that the liability is reflected in the Group Accounts.

vii. Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the instrument.

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at amortised cost. For the Council’s borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest. Interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets classed as loans and receivables are initially measured at fair value (except for trade receivables which are measured at transaction price) and are carried at amortised cost. For the Council this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest. Interest credited to the CIES is the amount receivable for the year

in the loan agreement. Financial assets classed as available for sale have been valued at fair value. Changes in fair value are balanced by an entry in the Available for Sale Reserve. Dividends are credited to the CIES when they become receivable by the Council. Financial assets at Fair Value through Profit and Loss are carried at fair value. Changes in fair value are credited to the CIES. Financial assets are subsequently measured to reflect any impairment loss, if material, based on the probability of loan or receivable defaults.

viii. Leases

Leases are classified as finance leases where their terms transfer substantially all the risks and rewards of ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately.

ix. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

x. Property, Plant and Equipment

Recognition

Expenditure of £5,000 or more on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost. This comprises the purchase price and any costs attributable to bringing the asset to an operational condition. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a cash inflow or improved service potential for the Council). Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- infrastructure, community assets and assets under construction – historical cost
- council housing – fair value based existing use value for social housing (EUV-SH)
- surplus assets – current value estimated at highest and best price reasonably achievable in the current market less estimated costs to sell;
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. For non-property assets that have short useful lives, or low values (or both), depreciated historical cost is used as an estimate of fair value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value and, as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss

previously charged to a service. Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains),
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Disposals

When an asset is disposed of or is decommissioned the carrying amount of the asset on the Balance Sheet is written off to the CIES, alongside any receipts from the disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. All sale proceeds in excess of £10,000 are classed as capital receipts.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets which are under construction and not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- council houses and other buildings – straight-line allocation over the useful life of the property as estimated by a qualified valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the life of the asset, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

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

Componentisation

Componentisation is the separate recognition of different parts of an asset, with different remaining useful lives and calculations of depreciation. The Council's external valuers, Wilks Head and Eve, give a single valuation for each asset by applying a weighted average remaining useful life. This gives a single asset register entry and one depreciation amount for all components.

xi. Provisions and Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

xii. Reserves

The Council sets aside specific amounts as earmarked reserves for future policy purposes and to cover contingencies (such as self-financing insurance cover). The Council also has a range of perpetuity reserves, which were established using historical funds paid to the Council as part of property transactions. The funds are used for the ongoing maintenance of specific land, common buildings and estates. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Where grants have been received by the Council for specific expenditure in future years, the sums are held in earmarked grants reserves and carried over to subsequent accounting periods. Where the Council has accrued for the receipt of non-domestic rates safety net payments from Central Government the amounts are set aside in an earmarked reserve to finance related expenditure in the following accounting period.

Certain reserves (Unusable Reserves) are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – where appropriate these reserves are explained in the relevant policies.

xiii. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xiv. Value Added Tax (VAT)

VAT payable is included in the accounts, whether of a revenue or capital nature, only to the extent that it is not recoverable.

xv. Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments, such as property investment fund holdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

xvi. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. In both cases, prior period figures are restated retrospectively (unless otherwise directed) by amending opening balances and comparative amounts for the prior period. In some cases, this will require an additional Balance Sheet to show the breakdown of balances at the beginning of the comparative year.

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NOTES TO THE ACCOUNTS

Contents

1.	Expenditure and Funding Analysis	37
2.	Critical Judgements in Applying Accounting Policies	40
3.	Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	411
4.	Material Items of Income and Expenditure.....	42
5.	Events After the Balance Sheet Date	43
6.	Adjustments between Accounting Basis and Funding Basis under Regulations	43
7.	Other Operating Expenditure.....	499
8.	Financing and Investment Income and Expenditure	499
9.	Taxation and Non-Specific Grant Income	499
10.	Property, Plant and Equipment.....	50
11.	Heritage Assets	544
12.	Financial Instruments	555
13.	Debtors	60
14.	Cash and Cash Equivalents	60
15.	Creditors	60
16.	Usable Reserves and Movements in Earmarked Reserves	61
17.	Unusable Reserves	65
18.	Operating Activities	699
19.	Investing Activities.....	70
20.	Financing Activities.....	70
21.	Acquired and Discontinued Operations	70
22.	Accounting Standards Issued, not Adopted	70
23.	Members' Allowances	711
24.	Officers' Remuneration.....	711
25.	External Audit Costs.....	744
26.	Grant Income	744
27.	Related Parties.....	766
28.	Capital Expenditure and Capital Financing	788
29.	Leases	799
30.	Impairment Losses.....	79
31.	Defined Benefit Pension Scheme	80
32.	Contingent Liabilities	855
33.	Contingent Assets	855
34.	Nature and Extent of Risks Arising from Financial Instruments.....	855
35.	Other Long-Term Liabilities	89
36.	Long-Term Debtors	89

1. EXPENDITURE AND FUNDING ANALYSIS

	Notes	2018/19			2017/18 Restated		
		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
		£000s	£000s	£000s	£000s	£000s	£000s
Managing Director		184	1	185	234	6	240
Corporate Services		-	1,052	1,052	-	877	877
Community Wellbeing		4,601	729	5,332	3,284	1,140	4,426
Finance		3,549	(356)	3,193	5,694	(12,625)	(6,931)
Place		2,252	1,814	4,066	1,136	6,026	7,162
Housing General Fund		1,382	(27)	1,355	828	148	976
Governance		1,804	(36)	1,768	1,167	445	1,612
Housing HRA		(10,718)	15,022	4,304	(11,530)	23,040	11,510
Net Cost of Services		3,054	18,199	21,255	813	19,057	19,872
Other Income and Expenditure	7.8.9	(8,879)	10,532	1,653	(4,063)	15,069	11,006
(Surplus)/ Deficit		(5,825)	28,731	22,906	(3,250)	34,126	30,878
Opening General Fund and HRA Balance		42,577			39,327		
Plus Surplus / Less (Deficit) on General Fund and HRA Balance in Year		5,825			3,250		
Closing General Fund and HRA Balance at 31 March		48,402			42,577		

The Adjustments between Funding and Accounting Basis column reflects major adjusting items in respect of:

Capital purposes – adding in depreciation and impairment and revaluation gains and losses in respect of council dwellings and other land and buildings; adjusting for the sale of land or buildings; adding in the statutory charge for the repayment of borrowing; adjusting for capital grants received.

Pensions – removing employer pension contributions allowed by statute and replacing with the current and past costs allowed under international accounting standards; including interest notionally payable on the actuarial defined pension liability.

Other – reflecting the timing difference between the forecast of council tax and non-domestic rates to be received which is included in the accounts and the actual amounts received.

Amounts of the adjustments are in the following tables.

Adjustment between Funding and Accounting Basis

Adjustment from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19			Total Adjustment £000
	Adjustment for Capital Purpose £000	Net Change for Pensions Adjustment £000	Other differences £000	
GENERAL FUND RESERVES				
Managing Director	-	-	(1)	(1)
corporate services	-	(1,052)	-	(1,052)
Community Wellbeing	(823)	94	-	(728)
Finance	(166)	523	(1)	356
Place	(1,907)	88	5	(1,814)
Housing GF	(4)	31	-	27
Governance	-	36	1	37
Housing HRA	(15,551)	525	4	(15,022)
Net Cost of Services	(18,451)	245	7	(18,199)
Other Income and Expenditure from the Expenditure Funding Analysis	(5,603)	(2,365)	(2,564)	(10,532)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of service	(24,054)	(2,120)	(2,557)	(28,731)

Adjustment between Funding and Accounting Basis

Adjustment from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2017/18			Total Adjustment £000
	Adjustment for Capital Purpose £000	Net Change for Pensions Adjustment £000	Other differences £000	
GENERAL FUND RESERVES				
Managing Director	-	(8)	2	(6)
Corporate Services	-	877	-	(877)
Community Wellbeing	(687)	(452)	(1)	(1,140)
Finance	5,021	7,602	2	12,625
Place	(5,847)	(170)	(8)	(6,025)
Housing GF	(13)	(134)	(1)	(148)
Governance	-	(441)	(4)	(445)
Housing HRA	(23,556)	520	(4)	(23,040)
Net Cost of Services	(25,082)	7,794	(14)	(19,056)
Other Income and Expenditure from the Expenditure Funding Analysis	(14,034)	(2,938)	1,902	(15,070)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of service	(39,116)	4,856	1,888	(34,126)

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (page 23). The Council's expenditure and income can be analysed as follows:

Expenditure and Income by Nature	2018/19 £000s	2017/18 £000s
Expenditure		
Employee Benefits Expenses	20,445	15,292
Other Services Expenses	61,976	66,672
Depreciation, Amortisation and Impairment	32,742	38,002
Interest Payments	9,383	7,395
Payments to Housing Capital Receipts Pool	4,485	2,230
Loss / (Gain) on the Disposal of Assets	1,871	13,396
Total Expenditure	130,902	142,987
Income		
Fees, Charges and Other Services Income	(62,754)	(61,859)
Interest and Investment Income	(677)	(401)
Income from Council Tax and Business Rates	(11,327)	(11,674)
Government Grants and Contributions	(33,133)	(38,057)
Other	(105)	(118)
Total Income	(107,996)	(112,109)
Surplus or deficit on the provision of services	22,906	30,878

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in pages 28 to 34, the Council has had to make certain judgements about complex transactions, or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Employees of the Council's wholly owned subsidiary, Harlow Trading Services (HTS) (Property and Environment) Ltd., are members of the Local Government Pension Scheme which is a defined benefit scheme. The Council has guaranteed any future pension liabilities of the company and pays employer's contributions to the scheme, on behalf of the employees, above a level agreed with the company. As such the company makes defined contributions to the scheme. The Council has determined that the arrangement does not constitute a pool for pension reporting purposes and includes its additional contributions in its Consolidated Income and expenditure statement.
- The Council has employed the Weighted Average Remaining Useful Life (WARUL) method in determining the remaining useful life of its council housing stock. The method takes into account the useful lives of various components of the "beacon" properties used in the valuation of the stock. The resulting average useful lives of 54 years has been used to calculate the depreciation charge for the year.

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £192,000 for every year that useful lives had to be reduced.
Provisions	The Council has made a provision of £2.533 million for the effect of changes to and successful appeals against Business Rates valuations, based on historical and current data. Of that amount £1.013 million is attributable to the Council and £1.529 million to the Government, Essex County Council and Essex Fire Authority. It is not certain that all valid appeals have been received nor that precedents set by other authorities in the settlement of appeals will be applicable.	Should the value of changes and appeals actually settled increase or reduce by 10%, it would be necessary to add or subtract £253,000 to the total amount required, of which £101,300 would be attributable to the Council.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating, primarily, to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.5% increase in the discount rate assumption would result in a reduction in the pension liability of £23.940 million. However, the assumptions interact in complex ways. During 2018/19, the

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>on pension fund assets. Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>Harlow Council Accounts include the agreed additional pension contributions but exclude the attributable liabilities of its wholly owned subsidiary Harlow Trading Services (Property and Environment) Limited.</p>	<p>Council's actuaries advised that the net pension liability had increased by £11.640 million as a result of changes in financial assumptions and reduced by £16.160 million as a result of changes in demographic assumptions.</p>
Arrears	<p>At 31 March 2019, the Council had made significant allowances for the impairment of debts, totalling £5.9 million. In the current economic climate, including the effect of housing welfare reforms, it is not certain that the allowance is sufficient.</p>	<p>If the Council's collection rates were to deteriorate, an increase in the current provisions by 1% would require an extra provision of £59,000.</p>
Britain leaving the European Union	<p>There remains a high level of uncertainty about the impact of Britain leaving the European Union. The Council has assumed that there will be no significant impact on the value of its assets, investments and pension fund liability.</p>	<p>It is not possible to quantify the effect on values should the Council's assumption prove incorrect.</p>

4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

Revaluation of Council Properties

The Council had its non-current assets valued as at 1 April 2018. A further exercise has been undertaken to determine whether there has been any material changes in values between that date and 31 March 2019. For housing assets, this has resulted in a new valuation as at 31 March 2019. Movements and balances for non-current assets is shown in Note 10 (page 50).

Council Tax

The Council received £7.653 million from the Collection Fund as its share of Council Tax receipts in 2018/19 (£7.323 million in 2017/18).

Non Domestic (Business) Rates

The Council received Non Domestic Rates of £18.871 million under the rate retention system in 2018/19 (£17.364 million in 2017-18). This was offset by a payment to the Government under the system of £15.311 million as a tariff (£14.733 million in 2017/18).

Housing Benefits

The Council has incurred spending of £27.792 million on housing benefits in 2018/19 (£32.855 million in 2017/18) and received Government grants of £27.285 million to meet this cost (£31.983 million in 2017/18).

Harlow Trading Services (HTS) (Property and Environment) Ltd.

The Council paid a net amount of £23.271 million to its wholly owned company in 2018/19 (£20.699 million in 2017/18) for the provision of a range of services which include housing property services, grounds maintenance, street cleaning and capital works.

Pensions

The Council paid £5.295 million in 2018/19 (£6.081 million in 2017/18) into the Local Government Pension Scheme, in respect of the pension fund deficit. The Council also paid £0.587 million into the Scheme in 2018/19 (£0.504 in 2017/18) as a contribution in respect of the employees of HTS (Property and Environment) Ltd.

Grants

The Council received a number of material grants during the year and details of these are contained in Note 26 (page 74).

5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Deputy to the Chief Executive and Head of Finance on 31 May 2019. The Council has considered whether core statements or notes to the accounts in the 2018/19 Statement of Accounts should be adjusted in light of events taking place after this date.

In particular, the Council has assessed whether the onset of the Covid-19 pandemic in December 2019 provides evidence of different conditions as at 31 March 2019 to those known about at 31 March 2019 and requires adjustment. In so doing, the Council has considered the potential effect on, inter alia, the value of the Council's non-current and other financial assets; the impairment of debtors; the Council's wholly owned subsidiary Harlow Trading Services (Property & Environment) Ltd.; the Council's provisions; and grants and contributions including repayment conditions. The Council has concluded that no adjustments are required as the onset of the pandemic did not begin for another 9 months in the next financial year.

Where events taking place before 31 March 2019 provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to fund future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. It summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Housing Revenue Account (HRA) Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision. It contains the balance of income and expenditure as defined by legislation that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Adjustments made between accounting basis and funding basis under regulations

2018/19	Usable Reserves					Movement in Unusable Reserves £000s
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(1,759)	(16,820)				18,579
Revaluation losses on Property Plant and Equipment	(881)	(2,533)				3,414
Movements in the fair value of Investment Properties	10					(10)
Amortisation of intangible assets	(239)	(76)				315
Capital grants and contributions applied	755	120				(875)
Revenue expenditure funded from capital under statute	(673)					673
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(183)	(7,835)				8,018
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	250					(250)
Capital expenditure charged against the General Fund and HRA balances	269	3,950				(4,219)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(82)	10			72	
Application of grants to capital financing transferred to the Capital Adjustment Account					576	(576)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	329	5,818	(6,147)			
Use of the Capital Receipts Reserve to finance new capital expenditure			4,243			(4,243)

2018/19 continued	Usable Reserves					Movement in Unusable Reserves £000s
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(4,485)		4,485			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(1)			1
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA				(10,362)		10,362
Use of the Major Repairs Reserve to finance new capital expenditure				10,362		(10,362)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements			7			(7)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,321)	(1,095)				7,416
Employer's pensions contributions and direct payments to pensioners payable in the year	2,945	2,351				(5,296)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,571)					2,571
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3	3				(6)
Total Adjustments	(12,633)	(16,100)	2,581	-	648	(25,504)

2017/18 Restated	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000s	£000s	£000s	£000s	£000s	
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(717)	(15,155)				15,872
Revaluation losses on Property Plant and Equipment	(75)	(9,848)				9,923
Movements in the fair value of Investment Properties	117					(117)
Amortisation of intangible assets	(234)	(98)				332
Capital grants and contributions applied	662					(662)
Income in relation to donated assets						
Revenue expenditure funded from capital under statute	(557)					557
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,149)	(19,851)				22,000
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	218					(218)
Capital expenditure charged against the General Fund and HRA balances	616	1,503				(2,119)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	54	42			(96)	
Application of grants to capital financing transferred to the Capital Adjustment Account					1,733	(1,733)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	759	7,845	(8,655)			51
Use of the Capital Receipts Reserve to finance new capital expenditure			1,260			(1,260)

2017/18 Restated continued	Usable Reserves					Movement in Unusable Reserves £000s
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(2,230)		2,230			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA				(11,801)		11,801
Use of the Major Repairs Reserve to finance new capital expenditure				11,801		(11,801)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		10				(10)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	550	(2,733)				9,519
Employer's pensions contributions and direct payments to pensioners payable in the year	2,057	3,208				(5,265)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,893					(1,893)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(9)	(4)				13
Total Adjustments	955	(35,081)	(5,165)	-	1,637	(37,654)

7. OTHER OPERATING EXPENDITURE

	2018/19	2017/18
	£000s	Restated £000s
Payments to the Government Housing Capital Receipts Pool	4,485	2,230
(Gains)/ Losses on the disposal of Non-Current Assets	1,871	13,396
Total	6,356	15,626

8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2018/19	2017/18
	£000s	£000s
Interest payable and similar charges	7,033	7,032
Net interest on the defined pension liability	2,366	2,767
Interest receivable and similar income	(577)	(193)
Income and expenditure in relation to investment properties and changes in their fair value	(10)	(117)
Other investment income	(100)	(91)
Total	8,712	9,398

9. TAXATION AND NON-SPECIFIC GRANT INCOME

	2018/19	2017/18
	£000s	£000s
Council Tax income	7,377	7,225
Retained Business Rates	3,948	4,449
Revenue Support Grant	178	603
Non-ringfenced government grants	1,773	1,840
Capital grants and contributions	139	277
Total	13,415	14,394

10. PROPERTY, PLANT AND EQUIPMENT

Movements in 2018/19

2018/19	Property, Plant and Equipment							
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation at 1 April 2018	725,374	129,155	6,995	9,389	948	5,822	4,851	882,534
Additions	16,899	1,610	653	717	113	2	6,771	26,765
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	6,696	6,252	-	-	-	210	-	13,158
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(24,768)	(5,909)	-	-	-	(45)	-	(30,722)
Derecognition - Disposals	(1,738)	(209)	(331)	-	-	(4,335)	-	(6,613)
Other movements in cost or valuation	(1,539)	-	-	(81)	81	-	-	(1,539)
Cost of Valuation at 31 March 2019	720,924	130,898	7,317	10,025	1,142	1,654	11,622	883,583
Accumulated Depreciation and Impairment at 1 April 2018	-	(3,334)	(5,666)	(2,495)	(2)	(5)	-	(11,502)
Depreciation Charge	(10,123)	(1,284)	(279)	(311)	(7)	(11)	-	(12,015)
Depreciation written out to the Revaluation Reserve	5,305	1,563	-	-	-	7	-	6,876
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	4,818	34	-	-	-	(3)	-	4,849
Accumulated Depreciation and Impairment at 31 March 2019	-	(3,021)	(5,945)	(2,806)	(9)	(12)	-	(11,793)
Net Book Value								
At 31 March 2019	720,924	127,877	1,372	7,219	1,133	1,643	11,622	871,790
At 31 March 2018	725,374	125,821	1,329	6,894	946	5,817	4,851	871,032
	(4,450)	2,056	43	325	187	(4,174)	6,771	759

Comparative Movements 2017/18

2017/18 Restated	Property, Plant and Equipment							
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation at 1 April 2017	693,182	127,270	6,532	9,148	947	8,311	920	846,310
Additions	13,173	3,480	463	241	1	51	3,302	20,711
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	50,623	(1,502)	-	-	-	9,412	-	58,533
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(22,984)	125	-	-	-	(49)	-	(22,908)
Derecognition - Disposals	(3,128)	(502)	-	-	-	(15,040)	-	(18,670)
Other movements in cost or valuation	(5,492)	284	-	-	-	3,137	629	(1,442)
Cost of Valuation at 31 March 2018	725,374	129,155	6,995	9,389	948	5,822	4,851	882,534
Accumulated Depreciation and Impairment at 1 April 2017	-	(3,410)	(5,386)	(2,192)	(2)	(43)	-	(11,033)
Depreciation Charge	(11,530)	(1,427)	(280)	(303)	-	(13)	-	(13,553)
Depreciation written out to the Revaluation Reserve	11,530	1,446	-	-	-	49	-	13,025
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	-	-	-	-	-	2	-	2
Other movements in depreciation and impairment	-	57	-	-	-	-	-	57
Accumulated Depreciation and Impairment at 31 March 2018	-	(3,334)	(5,666)	(2,495)	(2)	(5)	-	(11,502)
Net Book Value								
At 31 March 2018	725,374	125,821	1,329	6,894	946	5,817	4,851	871,032
At 31 March 2017 (restated)	693,182	123,860	1,146	6,956	945	8,268	920	835,277
	32,192	1,961	183	(62)	1	(2,451)	3,931	35,755

Note: Prior period correction. Total Property, Plant and Equipment includes a correction of the valuation of land in the Council's Enterprise Zone. The area of the land in the calculation was incorrect resulting in a valuation of £4.245 million. The correct figure was £15.498 million subsequently rising to £16.143 million following further land transactions.

10.1 Depreciation

The following useful asset lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – 54 years (2017/18 flats 45 years, houses 46 years).
- Other Land and Buildings – 4 to 53 years (2017/18 same).
- Vehicles, Plant, Furniture and Equipment – 5 years (2017/18 same) .
- Infrastructure – 40 years (2017/18 same).

10.2 Capital Commitments

As at 31 March 2019 the Council had entered into a number of contracts for enhancement to Property, Plant and Equipment and other assets in 2019/20 and future years budgeted to cost £10.520 million. Similar commitments at 31 March 2018 were £7.912 million. The major commitments are:

Scheme	Future Commitment £000s
Enterprise Zone	5,460
	2,968
Prentice Place	2,041
Sports and Leisure	51
Total	10,520

10.3 Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Other Land and Buildings – All assets were valued as at 1 April 2015 and are subject to a rolling review over the financial years 2016/17 to 2019/20.

Surplus Assets – The Council has one Council dwelling pending refurbishment.

Council Dwellings - Housing Beacons were valued by Wilks Head and Eve as at 1 April 2018 as part of the valuation process and reviewed as at 31 March 2019. The number of dwellings pending disposal 31 March 2019 was 20, all being pending 'Right To Buy' sales.

The following details set out significant assumptions applied in estimating the fair values of assets:

- Existing Use Value (EUV) is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing. The parties are taken to have acted knowledgeably, prudently and without compulsion.
- Where insufficient market-based evidence of fair value is available because an asset is specialised and/or rarely sold, the Code permits the use of Depreciated Replacement Cost (DRC).

- Existing Use Value Social Housing (EUV-SH) is the estimated amount for which a council dwelling should exchange on the date of valuation, between a willing buyer and a willing seller, in an arm's-length transaction. There is presumption of proper marketing and that the parties are acting knowledgeably, prudently and without compulsion.
- Market Value (MV) is defined as "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Net Book Values	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, Furniture and Equipment £000s	Surplus Assets £000s	Total £000s
Carried at historical cost	347,031	69,610	1,374	1,538	419,553
Valued at fair value as at:					
31 March 2019	720,923	127,877	1,372	1,643	851,814
31 March 2018	725,374	125,821	1,329	5,817	858,341
31 March 2017	693,182	123,860	1,146	8,087	826,275
31 March 2016	663,348	117,500	1,624	2,738	785,210
31 March 2015	622,996	84,648	2,101	2,368	712,113
31 March 2014	563,923	86,260	2,468	3,846	656,497
31 March 2013	508,963	80,654	2,785	4,467	596,869
31 March 2012	502,423	73,957	3,329	3,592	583,301
31 March 2011	517,550	36,355	3,855	-	557,760
31 March 2010	626,667	35,593	4,415	-	666,675

11. HERITAGE ASSETS

Heritage assets held by the Council fall into three categories and are held for their intrinsic value as opposed to potential financial gain. As such, they are unlikely to be sold.

Carrying Value of Heritage Assets Held by the Council	Museum Artefacts	Community Heritage Assets	Art Collection	Total
	£000s	£000s	£000s	£000s
Cost or valuation: as at 1 April 2017	612	153	857	1,622
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	1	-	1
Depreciation	-	(1)	-	(1)
as at 31 March 2018	612	153	857	1,622
Cost or valuation: as at 1 April 2018	612	153	857	1,622
Revaluations	-	-	117	117
Depreciation	-	(1)	-	(1)
as at 31 March 2019	612	152	974	1,738

Artefacts held at the Museum of Harlow

The Council's collection of artefacts is reported on the Balance Sheet at the insurance value as assessed by Lyon and Turnbull in April 2010. These assets are deemed to have an indeterminate life and the Council does not consider it necessary to provide for depreciation.

Acquisition of items is by donation. The valuation of items is initially assessed by a responsible officer at the museum and if required, by external valuers. There were no acquisitions or disposals from the collection during 2018/19.

Fine arts including sculpture, civic gifts and regalia

Harlow New Town is the creation of landscape architect Sir Frederick Gibberd who sought to place works of art on housing estates. The Council maintains its own fine art collection and also insures pieces owned by Harlow Arts Trust (founded by Gibberd and others). The collection is reported on the Balance Sheet, together with three paintings listed as civic gifts. The insurance value of the artworks and sculptures was assessed by Pall Mall Art Advisors in February 2016 and is reviewed every five years to ensure potential material changes can be reflected. These assets are deemed to have an indeterminate life and the Council therefore does not consider it necessary to provide for depreciation.

Acquisitions are initially recognised at cost, and donated assets at a valuation provided by external valuers with reference to appropriate commercial markets using the most recent and relevant information from sales at auctions.

Other items include a variety of gifts received through civic visits and three chains of office. which are excluded from the Balance Sheet as they are of low monetary value.

Community heritage assets

These include the bandstand in the Town Park and six war memorials which were refurbished in 2014/15 to commemorate the centenary of the First World War. The Sculpture Trail along the River Stort was established in 2007/08 and includes four freestanding sculptures and a metal and glass walkway which form the three-and-a-half mile waterside trail along the river linking Parndon Mill Gallery to the Gibberd Garden in Harlow. These items are listed in the fine arts schedule and are deemed to have an indeterminate life, such that the Council does not consider it appropriate to provide for depreciation.

Listed Properties

Harlow has many listed buildings in the town, some of which are owned by the Council and used for housing. These are operational assets, included on the Balance Sheet in the relevant category and valued as such.

Archaeological Sites

The Council owns a number of archaeological and historic sites within the town. These include a roman temple, the site of Little Parndon Hall adjacent to Little Parndon Church, two red brick piers with free stone caps dating from the 17th century at Canons Brook, the garden wall at Passmores House (part of the remains of a moated medieval site and later a 16th century manor house), and two unexcavated tumuli close to Gilden Way with a third near to Princess Alexandra Hospital.

The Council does not consider that reliable cost information or valuations can be obtained for these sites. The assets lack any comparable market values, and cost records do not exist. The cost of providing a balance sheet valuation would be disproportionate to any benefit to the user of the Council's financial statements and therefore is excluded from the balance sheet.

Policy of acquisition, preservation, management and disposal of heritage assets:

Fine arts including sculpture, civic gifts and regalia are acquired by donation and as gifts to the Council. Through the insurance valuation a record is maintained of the art works and sculptures held. In addition the gifts received have been catalogued for reference.

For the museum collections, the museum is accredited to the Museums Libraries and Archives Council and adopts the policies of this body governing acquisitions, disposals and the appropriate ethical and professional management of the museum and its collections.

By their nature there are few acquisitions or disposals of community heritage assets but policies to acquire, preserve, manage and dispose of any such assets are in accordance with financial regulations.

12. FINANCIAL INSTRUMENTS

Categories of Financial Instruments carried in the Balance Sheet

Financial Assets

Financial assets carried in the balance sheet are measured at fair value through profit or loss; amortised cost; or fair value through other comprehensive income (designated equity instruments):

	Non-Current			
	Investments etc		Debtors	
	as at 31 Mar 2019	as at 31 Mar 2018	as at 31 Mar 2019	as at 31 Mar 2018 Restated
	£000s	£000s	£000s	£000s
Fair Value through Profit or Loss	-	-	-	-
Amortised Cost	-	-	4,136	1,417
Fair Value through Other Comprehensive Income - designated equity instruments	3,961	1,955	-	-
Total Financial Assets	3,961	1,955	4,136	1,417

	Current			
	Investments etc		Debtors	
	as at 31 Mar 2019	as at 31 Mar 2018	as at 31 Mar 2019	as at 31 Mar 2018 Restated
	£000s	£000s	£000s	£000s
Fair Value through Profit or Loss	9,710	14,170	-	-
Amortised Cost	19,315	22,734	4,985	6,869
Fair Value through Other Comprehensive Income - designated equity instruments	-	-	-	-
Total Financial Assets	29,025	36,904	4,985	6,869

	Total	
	as at 31 Mar 2019	as at 31 Mar 2018 Restated
	£000s	£000s
Fair Value through Profit or Loss	9,710	14,170
Amortised Cost	28,436	31,020
Fair Value through Other Comprehensive Income - designated equity instruments	3,961	1,955
Total Financial Assets	42,107	47,145

Financial Liabilities

Financial liabilities carried in the balance sheet are measured at amortised cost:

	Non-Current			
	Borrowings etc		Creditors	
	as at 31 Mar 2019	as at 31 Mar 2018	as at 31 Mar 2019	as at 31 Mar 2018 Restated
	£000	£000	£000	£000
Amortised Cost	211,837	211,837	224	383
Total Financial Liabilities	211,837	211,837	224	383

	Current			
	Borrowings etc		Creditors	
	as at 31 Mar 2019	as at 31 Mar 2018	as at 31 Mar 2019	as at 31 Mar 2018 Restated
	£000	£000	£000	£000
Amortised Cost	81	81	9,138	6,935
Total Financial Liabilities	81	81	9,138	6,935

	Total	
	as at 31 Mar 2019	as at 31 Mar 2018 Restated
	£000	£000
Amortised Cost	221,280	219,236
Total Financial Liabilities	221,280	219,236

Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income

The following equity instruments have been designated at fair value through other comprehensive income.

The Council invested £2 million in 2015/16 in the Churches, Charities and Local Authorities Investment Management Ltd. (CCLA) specialist property fund (which is only available to local authority investors) to achieve an attractive income and capital growth over time. The units in the fund are valued based on the overall value of the property portfolio. The Council is free to divest itself of its investments at any time and would receive a payment based on the number of units held multiplied by the quoted redemption price per unit. The gain on the instrument of £30,000 in 2018/19 (£89,000 in 2017/18) has been charged to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

The Council invested £2 million in the Royal London Cash Plus Fund in 2017/18 in order to diversify its investments held for treasury management purposes. The amount invested is fully liquid and the Council is free to divest itself of its investment at any time, receiving a payment

based on the number of units held multiplied by the quoted redemption price per unit. The loss on the instrument of £24,000 in 2018/19 (£1,000 loss in 2017/18) has been credited to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

	as at 31 Mar 2019	as at 31 Mar 2018
	£000s	£000s
Non-current assets (Long-term)		
CCLA Property Fund	1,985	1,955
Royal London Cash Plus Fund	1,976	-
Total	3,961	1,955

Note: Fair value is assessed at input level 1 of the fair value hierarchy - unadjusted quoted prices in active markets for identical assets.

Income, Expense, Gains and Losses

	Surplus or Deficit on the Provision of Services		Other Comprehensive Income and Expenditure	
	as at 31 Mar 2019	as at 31 Mar 2018	as at 31 Mar 2019	as at 31 Mar 2018
	£000	£000	£000	£000
Net gains / losses on:				
Investments in equity instruments designated at fair value through other comprehensive income	-	-	(7)	(88)
Total net (gains) / losses	-	-	(7)	(88)
Interest revenue:				
Financial assets measured at amortised cost	(577)	(193)	(100)	(91)
Total interest revenue	(577)	(193)	(100)	(91)
Interest expense	7,033	7,032	-	-

Fair Values of Financial Instruments

The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The fair value of most financial assets, including money market and other pooled funds, is taken from the market price (level 1 of the fair value hierarchy – quoted prices in active markets for identical assets). The fair value of loans for service purposes is classed as level 2 of the hierarchy - calculated from inputs other than quoted prices that are observable for the asset, e.g. interest rates or yields for similar instruments

Financial liabilities, Public Works Loan Board (PWLB) borrowing, is carried in the balance sheet at amortised cost. The fair value (level 2 of the hierarchy - calculated from inputs other than quoted

prices that are observable for the asset, e.g. interest rates or yields for similar instruments) has been estimated by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans and with the following assumptions:

- the market rate is the published interest rate for new certainty rate loans arranged on 31st March 2019;
- no early repayment or impairment is recognised.

Fair values are as follows:

Fair Values of Financial Assets and Financial Liabilities	as at 31 March 2019		as at 31 March 2018	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Financial Assets				
Investment Balances	31,762	31,762	37,547	37,527
Loans for Service Purposes	4,136	4,136	1,417	1,417
Trade Receivables	4,985	4,985	6,869	6,869
Total Assets	40,883	40,883	45,833	45,813
Financial Liabilities				
PWLB Borrowing	211,837	246,859	211,837	243,864
Trade payables	9,361	9,361	7,316	7,316
Total Liabilities	221,198	256,220	219,153	251,180

The fair value of financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the current rates available for similar loans in the market at the Balance Sheet date. Loans for Service Purposes include long-term debtors of £3.503 million. Trade Receivables include long-term leaseholder debtors of £0.288 million.

Transfers between Levels of the Fair Value Hierarchy and Changes in the Valuation Technique

There were no transfers or changes during the year.

13. DEBTORS

The table below shows the amount that was owed to the Council at 31 March 2019 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

	Balance as at 31 March 2019	Balance as at 31 March 2018 Restated	Balance as at 31 March 2018
	£000s	£000s	£000s
Trade Receivables	4,985	6,869	7,530
Business Rates	678	623	1,562
Housing Rents	2,466	1,993	1,993
Council Tax	1,755	1,101	1,521
Prepayments	236	85	84
Related Parties	167	348	348
Other Receivables	29	29	29
Total	10,316	11,048	13,067

Note: The balance as at 31 March 2018 has been restated to correct errors in allocation between debtors and creditors. As a result of this correction debtors at that date reduced by £5.208 million, from an original £16.256 million to £11.048 million

14. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	Balance as at 31 March 2019	Balance as at 31 March 2018
	£000s	£000s
Cash held by the Council	14	8
Bank current accounts	1,273	1,391
Short-term deposits with financial institutions	20,214	24,204
Total	21,501	25,603

15. CREDITORS

The table below shows the amount that the Council owed as at 31 March 2019 to third parties, together with amounts received by the Council in advance of supply of goods or services.

	Balance as at 31 March 2019	Balance as at 31 March 2018 Restated	Balance as at 31 March 2018
	£000s	£000s	£000s
Trade Payables	9,138	6,935	6,963
Receipts in advance	1,807	1,609	2,949
Related Parties	3,771	4,794	6,152
Other Payables	1,806	226	221
Total	16,523	13,564	16,285

Note: The balance as at 31 March 2018 has been restated to correct errors in allocation between debtors and creditors; and creditors and grants receipts in advance. As a result of this correction creditors at that date reduced by £5.910 million, from an original £19.474 million to £13.564 million; and grants receipts in advance increased from nil to £0.702 million.

16. USABLE RESERVES AND MOVEMENTS IN EARMARKED RESERVES

The following sets out the amounts set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19.

Usable Reserves	2018/19	2017/18
	£000s	£000s
General Fund Balance	4,488	6,735
HRA Balance	13,731	14,104
Earmarked Reserves		
General Fund	19,608	13,684
HRA	4,502	4,506
Earmarked Grants Reserves	6,073	3,548
Capital Grants Unapplied	1,298	1,946
Capital Receipts Reserve	4,474	7,058
Total Usable Reserves at end of the year (31 March)	54,174	51,581

Earmarked Reserve	Balance as at 31 Mar 2017 £000s	2017/18		Balance as at 31 Mar 2018 £000s	2018/19		Balance as at 31 Mar 2019 £000s
		Transfers Out £000s	Transfers In £000s		Transfers Out £000s	Transfers In £000s	
GENERAL FUND RESERVES							
Perpetuity Reserves	946	(4)	5	947	(4)	8	951
Debt Financing Reserve	1,988	-	238	2,226	-	238	2,464
Discretionary Services Fund	2,288	(1,459)	721	1,550	(889)	783	1,444
Environment Reserve	116	-	4	120	-	3	123
Environmental Urgent Works and Improvement Reserve	-	-	-	-	(583)	2,302	1,719
Housing Benefits Subsidy Reserve	536	-	157	693	-	-	693
Insurance claims	583	(12)	50	621	(16)	50	655
Insurance Fund	1,302	(9)	121	1,414	(23)	126	1,517
Invest To Save Reserve	301	(75)	1	227	(2)	2	227
Partnership Fund	200	-	-	200	-	-	200
Planning Reserve	105	(223)	600	482	(125)	-	357
Regeneration and Enterprise Reserve	1,280	(56)	176	1,400	(214)	3,016	4,202
Regeneration Reserve	1,000	(64)	-	936	(80)	-	856
Residual Land Transfer	131	-	-	131	-	-	131
Revenues and Benefits Service Structural Process Review Reserve	87	-	-	87	-	136	223
Risk Management Reserve	197	-	40	237	(6)	40	271
Severance Reserve	1,927	-	193	2,120	-	-	2,120
Splash Parks Reserve	-	-	-	-	(8)	750	742
Standards Committee Contingency	50	-	-	50	-	-	50
Street Lighting Reserve	54	(11)	-	43	(42)	-	1
The Harlow and Gilston Garden Town Funding Reserve	-	-	160	160	(3)	500	657
Volunteering Support Reserve	-	-	40	40	(35)	-	5
Total General Fund	13,091	(1,913)	2,506	13,684	(2,030)	7,954	19,608
HRA RESERVES							
Perpetuity Reserves	1,596	(377)	379	1,598	(395)	251	1,454
Housing Insurance Property Reserve	10	-	10	20	-	10	30
HRA OJEU Contract 2015	184	(126)	-	58	(58)	-	-
Insurance claims	580	(37)	50	593	(52)	50	591
Insurance Fund	1,787	(107)	221	1,901	(103)	227	2,025
Risk Management Reserve	277	-	60	337	(9)	60	388
Total HRA	4,434	(647)	720	4,507	(617)	598	4,488
EARMARKED GRANTS RESERVES							
General Fund	3,370	(60)	238	3,548	(156)	2,681	6,073
HRA	-	-	-	-	-	15	15
Total Earmarked Grants	3,370	(60)	238	3,548	(156)	2,696	6,088
Total All Earmarked Reserves	20,895	(2,620)	3,464	21,739	(2,803)	11,248	30,184

General Fund Reserves

Perpetuity Reserves	Amounts set aside to meet long-term contractual obligations under a range of covenants.
Debt Financing Reserve	Established to finance future costs in relation to borrowing.
Discretionary Services Fund	A reserve to fund services to the community that are not required by statute and provide financial support to organisations providing such services.
Environment Reserve	Established from past energy savings, to finance energy-efficiency schemes and measures to reduce future energy usage and emissions.
Environmental Urgent Works and Improvement Reserve	A reserve to carry out works and improvements in the Harlow wider town area.
Housing Benefits Subsidy Reserve	An equalisation reserve to meet any future reductions in subsidy from previous years' increases.
Insurance Claims	To meet any future costs resulting from the insolvency of the Council's previous insurer Municipal Mutual Insurance Ltd.
Insurance Fund	A self-insurance reserve to meet excess charges in respect of policies for theft, motor insurance, employer's liability, fire and dwellings and other minor items.
Invest to Save Reserve	Established from previous years' windfall income, used to deliver service improvements or to fund efficiency initiatives.
Partnership Fund	To meet implementation costs of potential partnership arrangements for the delivery of the Revenues and Benefits service.
Planning Reserve	Used to transfer resources between years should delivery of the Local Development Framework (LDF) be rescheduled.
Regeneration and Enterprise Reserve	A reserve to support Harlow town regeneration.
Regeneration Reserve	A reserve to support the regeneration of the Town Centre.
Residual Land Transfer	Established to meet future re-instatement works to land acquired from the Homes and Communities.
Revenues and Benefits Service Structural Process Review Reserve	A reserve to meet any costs resulting from the Revenues and Benefits service structural process and customer service reviews.
Risk Management Reserve	Established in order to finance future initiatives that mitigate insurable risks and potential insurance claims against the Council and help limit increases in insurance premiums.
Severance Reserve	Used to finance redundancy costs in excess of the amount included in the revenue budget.
Splash Parks Reserve	A new reserve to finance the replacement of remaining paddling pools with new modern splash park facilities.
Standards Committee Contingency	Established to finance possible future liabilities arising from the work of the Council's Standards Committee.

Street Lighting Reserve	To meet any future increased energy costs resulting from the all-night street light initiative.
The Harlow and Gilston Garden Town Funding Reserve	Established to contribute towards the Gilston Garden Town project and other developments in and around Harlow to ensure maximum benefits in respect of affordable housing and skills and employment initiatives.
Volunteering Support Reserve	To support an initiative aligned with residents' time spent volunteering that has positive health and wellbeing benefits.

Housing Revenue Account Reserves:

Perpetuity Reserves	Amounts set aside to meet long-term contractual obligations under a range of covenants.
Housing Insurance Property Reserve	To meet any costs arising from any unscheduled repairs and maintenance in respect of asbestos.
HRA OJEU Contract 2015	A reserve, fully used at 31 March 2019, established to meet ancillary costs relating to a change in repairs and maintenance contractor.
Insurance Claims	To meet any future costs resulting from the insolvency of the Council's previous insurer Municipal Mutual Insurance Ltd.
Insurance Fund	A self-insurance reserve to meet excess charges in respect of policies for theft, motor insurance, employer's liability, fire and dwellings and other minor items.
Risk Management Reserve	Established in order to finance future initiatives that mitigate insurable risks and potential insurance claims against the Council and help limit increases in insurance premiums.
<u>Earmarked Grants Reserves</u>	Specific revenue grants received are accounted for in the year of receipt. Any unused grant is held in these reserves until specified expenditure is incurred.

17. UNUSABLE RESERVES

	Balance as at 31 March 2019	Balance as at 31 March 2018 Restated
	£000s	£000s
Revaluation Balances		
Revaluation Reserve	439,322	432,662
Financial Instruments Revaluation Reserve	(39)	-
Adjustment Accounts		
Available for Sale Financial Instruments Reserve	-	(47)
Capital Adjustment Account	199,794	212,789
Financial Instruments Adjustment Account	(1)	(2)
Deferred Capital Receipts	728	730
Pensions Reserve	(78,182)	(92,154)
Collection Fund Adjustment Account	(342)	2,229
Accumulated Absences Account	(55)	(61)
Total Unusable Reserves	561,225	556,146

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	2018/19		2017/18 Restated	
	£000s	£000s	£000s	£000s
Balance at 1 April		432,662		378,295
Upward revaluation of assets	19,566		78,483	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5,076)		(5,330)	
		14,490		73,153
Difference between fair value depreciation and historical cost depreciation	(7,280)		(7,913)	
Accumulated gains on assets sold or scrapped	(550)		(10,873)	
Amount written off to the Capital Adjustment Account		(7,830)		(18,786)
Balance as at 31 March		439,322		432,662

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement and depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Capital Adjustment Account	2018/19		2017/18 Restated	
	£000s	£000s	£000s	£000s
Balance at 1 April		212,789		236,584
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	(28,562)		(27,714)	
- Revaluation losses on Property, Plant and Equipment	(4,731)		(10,935)	
- Amortisation of intangible assets	(316)		(332)	
- Revenue expenditure funded from capital under statute	(668)		(557)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on Disposal to the Comprehensive Income and Expenditure Statement	(8,018)		(22,265)	
		(42,295)		(61,803)
Adjusting amounts written out of the Revaluation Reserve		8,767		20,111
Net written out amount of the cost of non-current assets consumed in the year		(33,528)		(41,692)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	4,243		1,247	
- Use of the Major Repairs Reserve to finance new capital expenditure	10,362		11,801	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	875		663	
- Application of grants to capital financing from the Capital Grants Unapplied Account	576		1,733	
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	250		218	
- Capital expenditure charged against the General Fund and HRA balances	4,218		2,119	
		20,524		17,780
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		10		117
Balance as at 31 March		199,794		212,789

Financial Instruments Adjustment Account

The financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service; updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the Pension Fund or pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the resources the Council has set aside compared to the benefits earned by past and current employees. The statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve	2018/19	2017/18
	£000s	Restated £000s
Balance at 1 April	(92,154)	(110,029)
Actuarial gains/(losses) on pensions assets and liabilities	16,092	14,792
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,416)	(2,182)
Employer's pensions contributions and direct payments to pensioners payable in the year	5,296	5,265
Balance as at 31 March	(78,182)	(92,154)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business Rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2018/19	2017/18
	£000s	£000s
Balance at 1 April	2,229	336
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,571)	1,893
Balance as at 31 March	(342)	2,229

18. OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2018/19 £000s	2017/18 £000s
Interest Received	538	158
Interest Paid	(7,033)	(7,010)
Dividends Received	100	90
Net Cash Flows from Operating Activities	(6,395)	(6,762)

The Net Surplus/ (Deficit) on the Provision of Services has been adjusted for the following non-cash movements:

	2018/19 £000s	2017/18 Restated £000s
Depreciation	12,015	6,762
Impairment and Downward valuations	20,343	46,264
Amortisation	315	332
Increase/ Decrease in Creditors	3,886	(1,823)
Increase/ Decrease in Debtors	(1,331)	(2,567)
Increase/ Decrease in Inventories	(7)	1
Movement in Pension Liability	2,350	(3,253)
Contribution to/ (from) Provisions	6	(6)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	8,587	8,015
Total	46,163	53,725

The Net Surplus/ (Deficit) on the Provision of Services has been adjusted for the following items which are investing and financing activities:

	2018/19 £000s	2017/18 £000s
Capital Grants credited to surplus or deficit on the provision of services	(875)	(662)
Net adjustment from the sale of short and long term investments	-	2,727
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(6,945)	(7,902)
Total	(7,820)	(5,837)

19. INVESTING ACTIVITIES

	2018/19 £000s	2017/18 £000s
Purchase of property, plant and equipment, investment property and intangible assets	(26,856)	(19,211)
Purchase of short-term investments	(38,500)	-
Other payments for investing activities	(2,722)	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,842	8,776
Proceeds from short-term investments	40,300	-
Other receipts from investing activities	948	-
Net Cash Flows from Investing Activities	(17,988)	(10,435)

20. FINANCING ACTIVITIES

	2018/19 £000s	2017/18 £000s
Other receipts from financing activities	-	1
Other payments for financing activities	(1,551)	(1,503)
Net Cash Flows from Financing Activities	(1,551)	(1,502)

21. ACQUIRED AND DISCONTINUED OPERATIONS

The Council has neither acquired nor discontinued any material operations during the financial year 2018/19.

22. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 requires the Council to disclose information relating to the impact of an accounting change that will be required by a new or amended standard that has been issued, but has not yet been adopted.

International Financial Reporting Standards (IFRS) introduced or amended in the Code for 2019/20 are applicable from the 1 April 2019. Where applicable, the following disclosure provides information relating to the impact of accounting changes that will be required by the standards issued. The impact that initial application of the IFRS', as adopted by the Code, will have is expected to be immaterial and have minimum effect on the Council's financial statements.

For the 2018/19 final accounts, the following relevant changes from the 2019/20 accounting standards that need to be reported relate to:

Amendments to IFRS 9 Financial Instruments: Prepayments Features with Negative Compensation.

Due for adoption with effect from 1 April 2019, this is where the contractual terms permit the borrower to prepay an instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest.

The Council does not hold such Investments and does not intend to enter into any such agreements.

Annual improvements to IFRS standards 2014-2016 Cycle - IFRS 12 Disclosure of Interests in Other Entities.

Clarification has been introduced to ensure that disclosure of the risks associated with other entities also applies to Assets Held for Sale and Discontinued Operations.

With no such material movements relating to other entities, the Council does not expect these changes to have a material effect.

23. MEMBERS' ALLOWANCES

The Council paid the following amounts to Members of the Council during the year:

	2018/19 £000s	2017/18 £000s
Allowances	179	176
Expenses	9	8
Total	188	184

24. OFFICERS' REMUNERATION

The 2017/18 figures cover a period of senior management restructure. The restructure resulted in both the Chief Executive and Chief Operating Officer posts being deleted and replaced with one post of Managing Director. The full year cost of the Managing Director is shown in the 2018/19 figures. The Head of Finance post was amended to Head of Finance and Deputy to the Managing Director in 2018/19. The 2018/19 figures for the Head of Governance are for a part year only, the post being filled with effect from 2nd January 2019.

Senior Employees					
Post Title	Salary (Including fees & Allowances)	Compensation for Loss of Office	Total Remuneration excluding pension contributions 2018/19	Pension contributions	Total Remuneration including pension contributions 2018/19
2018/19	£	£	£	£	£
Managing Director	130,900	-	130,900	-	130,900
Project Director	93,641	-	93,641	15,264	108,905
Head of Finance and Deputy to the Managing Director	100,465	-	100,465	16,444	116,909
Head Of Housing	91,965	-	91,965	14,990	106,955
Head of Place	96,866	-	96,866	13,920	110,786
Head of Community and Wellbeing	89,439	-	89,439	14,579	104,018
Head of Governance	20,982	-	20,982	3,420	24,402
	624,258	-	624,258	78,617	702,875

Senior Employees					
Post Title	Salary (Including fees & Allowances)	Compensation for Loss of Office	Total Remuneration excluding pension contributions 2017/18	Pension contributions	Total Remuneration including pension contributions 2017/18
2017/18	£	£	£	£	£
Managing Director	56,878	-	56,878	-	56,878
Chief Operating Officer	37,627	-	37,627	106,654	144,281
Chief Executive	74,116	82,395	156,511	-	156,511
Project Director (Enterprise Zone)	91,805	-	91,805	14,964	106,769
Head of Finance	88,612	-	88,612	14,444	103,056
Head Of Housing	85,112	-	85,112	13,873	98,985
Head of Place	85,112	-	85,112	13,873	98,985
Head of Community and Wellbeing	81,520	-	81,520	13,288	94,808
Head of Governance	47,045	-	47,045	-	47,045
	647,827	82,395	730,222	177,096	907,318

The table overleaf shows the number of Council officers whose remuneration exceeds £50,000 grouped into £5,000 bands. Remuneration is the amount paid to or receivable by an employee, and includes gross pay (i.e. before deduction of employees' pension contributions, tax and National Insurance), sums due by way of expense allowances, and the estimated monetary value of any additional benefits that are non-cash in their nature. Also included, where applicable, are amounts relating to retirement and redundancy lump sum payments and pay in lieu of notice. Contributions made by the Council to the pension scheme are not included in this table. The banding table below is comprehensive and includes senior employees who are shown in the table of senior employees, above.

Number of Employees		
Remuneration bands	2018/19 Total	2017/18 Total
£50,000 – £54,999	9	12
£55,000 – £59,999	11	5
£60,000 – £64,999	1	-
£65,000 – £69,999	-	-
£70,000 – £74,999	-	-
£75,000 – £79,999	-	-
£80,000 – £84,999	-	1
£85,000 – £89,999	1	3
£90,000 – £94,999	2	1
£95,000 – £99,999	1	-
£100,000 – £104,999	1	-
£105,000 – £109,999	-	-
£110,000 – £114,999	-	-
£115,000 – £119,999	-	-
£120,000 – £124,999	-	-
£125,000 – £129,999	-	-
£130,000 – £134,999	1	-
£135,000 – £139,999	-	-
£140,000 – £144,999	-	-
£145,000 – £149,999	-	-
£150,000 – £154,999	-	-
£155,000 – £159,999	-	1

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package cost band including special payments	Number of Compulsory Redundancies		Number of Other Agreed Departures		Total Number of Packages		Total Cost of Exit Packages	
	2018-19 No	2017-18 No	2018-19 No	2017-18 No	2018-19 No	2017-18 No	2018-19 £	2017-18 £
£0 - £20,000	-	-	2	2	2	2	14,457	4,247
£20,001-£40,000	-	-	-	1	-	1	-	35,861
£80,001-£100,000	-	-	-	1	-	1	-	82,395
£100,001- £150,000	-	-	-	1	-	1	-	100,520
TOTAL	-	-	2	5	2	5	14,547	223,023

25. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in 2018/19 in respect of the audit of the Statement of Accounts, certification of grant claims and statutory inspections and other services provided by the Council's external auditors, BDO LLP (Ernst & Young LLP in 2017/18.)

	2018/19 £000s	2017/18 £000s
Fees payable for external audit services carried out by the appointed auditor for the year.	62	78
Fees payable for external audit services carried out by the appointed auditor for previous years	42	(12)
Fees payable to external audit in relation to current year grant claims.	20	19
Total	124	85

26. GRANT INCOME

The Council credited the following grants, contributions and donations (see the table overleaf) to the Comprehensive Income and Expenditure Statement in 2018/19:

	2018/19 £000s	2017/18 £000s
Grants Credited to Taxation and Non-specific Grant Income		
Revenue Support Grant	178	603
Transitions Grant	-	25
Section 31 Grants	949	667
New Homes Bonus Grant	824	896
ECC Council Tax Sharing Agreement	-	252
Capital Grants	137	277
Total	2,088	2,720
Grants Credited to Services		
DWP:		
Rent Allowances	11,626	13,673
Rent Rebates	15,906	18,611
Housing Benefit Administration	362	399
Verification of Earnings and Pensions	49	-
New Burdens Housing Benefit	34	-
New Burdens	76	-
LA Data Share	-	20
Universal Credit New Burdens Funding Payment	46	58
Business Rate Relief (New Burdens)	-	28
DWP RBI	-	34
Universal Support	13	22
Other DWP grants	7	31
MHCLG:		
Disabled Facilities Grants	353	401
Self Build and Custom Housing Building Register	30	30
New Burdens Homelessness Reduction	42	46
Flexible Homelessness Support	352	226
Recycling	-	35
Food waste collection	149	138
New Burdens	20	-
Rough Sleepers Fund	140	-
Homelessness Prevention	42	-
Local Authority Parks Improvement Funding	14	-
Controlling Migration Fund	51	-
National Community Clean Up	15	-
Local Authority EU Exit Preparation	17	-
Localising Council Tax administration	128	135
Lister House	294	-
Epping Forest	20	-
Other MHCLG grants	31	37
Homes England:		
Growth Area Funding / Programme of Development	3	162
Essex County Council:		
Enterprise Zone	(14)	187
Sam's Place	72	73
Inter Authority Agreement	659	644
ECC Hardship Fund	10	10
Tipping Away	59	59
Time Credits	63	-
Active Network Commissioning	16	-
Fraud & Error Reduction Incentive Scheme	68	76
Collection Investment Income	59	55
Other:		
Nicholls Field Pavilion	-	54
Town Park HLF	104	43
Other smaller grants	13	50
Total	30,929	35,337

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the money to be returned to the giver. The balances at the year-end are as follows:

Long-term Liabilities

	2018/19 £000s	2017/18 £000s
Grants Receipts in Advance - Capital		
Disabled Facilities Grant	830	443
Programme of Development - external partners	169	96
Total	999	539

27. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, prescribes the terms of many of the transactions that the Council has with other parties (such as Council Tax bills, or Housing Benefits) and provides the majority of its funding in the form of grants. Details of transactions between the Council and the Government are set out within the accounting statements.

Members have direct control over the Council's financial and operating policies. The total of Members' allowances is disclosed in Note 23 on page 70. In addition, Members, chief officers and heads of service disclose, by way of declaration, anything which could result in them being a related party of the Council and any transactions with the Council. Declarations made by Members in 2018/19 are summarised on the Council's website at www.harlow.gov.uk/councillor-declarations.

Harlow Trading Services (Property and Environment) Ltd. (HTS) is a subsidiary company, wholly owned by the Council and subject to its control, which provides a range of environmental and property maintenance services in the district.

Other Public Bodies (subject to common control by Central Government)

Essex County Council – four Council Members were also Members of Essex County Council during the year.

Material transactions which took place with related parties are as follows.

Related Party Transactions 2018/19	Income	Expenditure	Debtors as at 31 Mar 2019	Creditors as at 31 Mar 2019
	£000s	£000s	£000s	£000s
Essex County Council	(2,336)	218	610	(1)
HTS (Property & Environment) Ltd	(924)	23,661	702	(1,190)
	(3,260)	23,879	1,312	(1,191)

Related Party Transactions 2017/18 (Restated)	Income	Expenditure	Debtors as at 31 Mar 2018	Creditors as at 31 Mar 2018
	£000s	£000s	£000s	£000s
Essex County Council	(2,346)	(66)	373	(5)
HTS (Property & Environment) Ltd	(1,226)	21,866	703	(1,601)
	(3,572)	21,800	1,076	(1,606)

28. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in CFR is analysed in the second part of this note.

	2018/19	2017/18
	£000s	£000s
Opening Capital Financing Requirement	233,658	230,009
Capital Investment		
Property Plant and Equipment	26,765	20,684
Investment Properties	20	50
Intangible Assets	173	143
Revenue Expenditure funded from Capital under Statute	666	557
Long Term Debtors	2	8
Total Capital Investment	27,626	21,442
Sources of Finance		
Capital Receipts	(4,243)	(1,260)
Major Repairs Reserve	(10,362)	(11,801)
Government Grants and Other Contributions	(1,482)	(2,395)
Direct Revenue Contributions	(4,219)	(2,119)
MRP/ Loans Fund Principal	(250)	(218)
Total Sources of Finance	(20,556)	(17,793)
Closing Capital Financing Requirement	240,728	233,658
Explanation of Movements in Year		
Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	7,070	3,649
Increase/(decrease) in Capital Financing Requirement	7,070	3,649

29. LEASES

Council as Lessor

FINANCE LEASES

The Council has leased out property in the Town Centre to the NatWest Bank on a finance lease, with a remaining term of 72 years.

The Council has a gross investment in the lease made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end.

The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

OPERATING LEASES

The Council leases out property and equipment under operational leases.

The future minimum lease payments receivable are:

	31 March 2019 £000s	31 March 2018 £000s
Not later than one year	862	917
Later than one year and not later than five years	2,816	2,932
Later than five years	3,985	4,466
	7,663	8,315

In 2018/19 £272,300 contingent rents were receivable by the Council (2017/18 £266,965).

30. IMPAIRMENT LOSSES

Assets may be impaired in one of two ways: (1) a downward revaluation of an asset due to economic changes – included in Note 10; (2) an event which has caused the value of the asset to significantly deteriorate, of which there were none during 2018/19.

31. DEFINED BENEFIT PENSION SCHEME

Prior Year Amendment

The disclosure note, and related core financial statements and notes to the accounts, have been restated to reflect a different accounting policy applied to the pension arrangements with the Council's wholly owned subsidiary HTS Ltd. Previously, the pension liability (and constituent parts) attributable to HTS Ltd. employees was included in the Council's single entity accounts. That liability, £13.174 million (2017/18 £13.000 million and 2016/17 £13.972 million) is now included in the Council's Group Accounts only. In addition, corrections were also required due to errors in the actuarial reports. As a result the accounts reflect transfers in the single entity accounts from unusable reserves to other long term liabilities of £0.556 million in 2018/19, £0.458 million in 2017/18 and £6.450 million in 2016/17; and increases in other long term liabilities in the group accounts of £13.730 million in 2018/19, £13.458 million in 2017/18 and £20.422 million in 2016/17.

Participation in the Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme:

- The scheme is administered locally by Essex County Council and 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's liabilities with investment assets.
- The scheme also includes arrangements for the award of discretionary post-retirement benefits upon early retirement – an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made, there are no investment assets built up to meet those liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.
- The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Essex County Council. Policy is determined in accordance with the Pensions Fund Regulations.
- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by the statute as described in the accountancy policies note.

Transactions Relating to Post-Employment Benefits

The costs of retirement are recognised and reported in the Cost of Service when they are earned by the employees, rather than when the benefits are eventually paid. However, the charge required to be made to the Council Tax is based on the cash payable in the year, so the real costs of post-employment retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	2018/19	2017/18	2017/18
	£000s	Restated £000s	£000s
Comprehensive Income and Expenditure Statement			
Cost of Services:			
• Current Service Cost and settlement	3,983	4,647	5,261
• Past Service Cost including Curtailments	1,066	(4,383)	149
• Administration expenses	84	61	76
• Interest Cost	2,283	2,734	2,700
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	7,416	3,059	8,186
Return on Plan Assets (excluding amount included in the net interest expense)	11,572	9,999	8,760
Changes in financial assumptions	(11,640)	4,793	4,725
Actuarial gains/(losses) arising in the change of demographic assumptions	16,160	-	-
Total Post-employment Benefit gains/(losses) Charged to the Comprehensive Income and Expenditure Statement	16,092	14,792	13,485
Movement In Reserves Statement			
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(7,416)	(2,182)	(8,186)
Actual amount charged against the General Fund Balance for pensions in the year:			
• Employers' contributions payable to the scheme	5,296	5,265	6,585

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement in the "actuarial gains or losses" line as at 31 March 2019 was a loss of £19.597 million (as at 31 March 2018 it was a loss of £35.689 million).

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows.

	2018/19	2017/18	2017/18
	£000s	Restated £000s	£000s
Present value of scheme benefit obligation	(289,780)	(288,594)	(287,692)
Fair value of plan assets	220,168	205,771	205,328
Net Liability	(69,612)	(82,823)	(82,364)
Present value of discretionary obligation	(8,570)	(9,331)	(9,331)
Net liability from defined benefit obligation	(78,182)	(92,154)	(91,695)

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

	2018/19 £000s	2017/18 Restated £000s	2017/18 £000s
Opening balance at 1 April	205,771	155,210	192,560
Interest on assets	5,218	5,294	5,184
Return on assets less interest	11,572	9,999	8,760
Administration expenses	(84)	(61)	(76)
Contributions by employer including unfunded	5,296	5,265	6,585
Contributions by Scheme participants and other employers	745	699	1,968
Estimated benefits paid plus unfunded net of transfers in	(8,350)	(8,541)	(9,653)
Settlement prices received / (paid)	-	37,906	-
Closing balance at 31 March	220,168	205,771	205,328

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2018/19 £000s	2017/18 Restated £000s	2017/18 £000s
Opening balance at 1 April	297,925	265,239	296,139
Current service cost and settlements	3,983	37,144	5,261
Interest cost	7,501	8,028	7,884
Change in financial assumptions	11,640	(4,793)	(4,725)
Change in demographic assumptions	(16,160)	-	-
Estimated benefits paid net of transfers in	(7,653)	(7,826)	(8,938)
Past Service Cost including curtailments	1,066	149	149
Contributions by Scheme participants and other employers	745	699	1,968
Unfunded pension payments	(697)	(715)	(715)
Closing balance at 31 March	298,350	297,925	297,023

The Council has guaranteed any possible future unfunded pension fund liabilities of HTS Ltd. as a result of its employees being members of the Local Government Pension Scheme. Such liabilities are considered most unlikely and it is currently not possible to estimate any potential cost to the Council.

Local Government Pension Scheme Assets Comprised

	2018/19				2017/18			
	Quoted £000s		Unquoted £000s		Quoted £000s		Unquoted £000s	
Asset Breakdown								
Index Linked Government Securities								
UK	5.3%	11,669	-	-	6.7%	13,787	-	-
Corporate Bonds								
UK	5.8%	12,770	-	-	3.7%	7,614	-	-
Equities								
UK	4.5%	9,908	-	-	-	-	-	-
Overseas	53.2%	117,129	-	-	60.7%	124,903	-	-
Property								
All	3.3%	7,266	5.6%	12,329	3.4%	6,996	5.9%	12,139
Others								
Private Equity	-	-	4.6%	10,128	-	-	4.6%	9,465
Infrastructure	-	-	5.0%	11,008	-	-	4.6%	9,465
Derivatives	-	-	-	-	-0.5%	(1,029)	-	-
Timber	-	-	3.0%	6,605	-	-	1.7%	3,498
Private Debt	-	-	1.7%	3,743	-	-	1.6%	3,292
Other Managed Funds	-	-	5.3%	11,669	-	-	4.1%	8,437
Cash/Temporary Investments	-	-	2.6%	5,724	-	-	3.6%	7,408
Net Current Assets								
Debtors	-	-	0.1%	220	-	-	-0.1%	(206)
Creditors	-	-	-	-	-	-	-	-
Total	72.1%	158,742	27.9%	61,426	74.0%	152,271	26.0%	53,500

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension scheme's liabilities (both funded and unfunded) have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The principal assumptions used by the actuary have been:

	2018/19	2017/18
Life expectancy from age 65 (years):		
Retiring today:		
- Men	21.3	22.2
- Women	23.6	24.7
Retiring in 20 years:		
- Men	22.9	24.4
- Women	25.4	27.0
Rates of Inflation:		
RPI	3.45%	3.30%
CPI	2.45%	2.30%
Rate of increase in salaries	3.95%	3.85%
Rate of increase in pensions	2.45%	2.35%
Rate for discounting scheme liabilities	2.40%	2.55%
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%

The estimation of the defined benefit obligations is sensitive to the actual assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumptions analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is likely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

	£000s	£000s	£000s
Adjustment to discount rate	0.1%	0.0%	0.1%
Present Value of Total Obligation	293,562	298,350	303,221
Projected Service Cost	4,120	4,217	4,316
Adjustment to long term salary increase	0.1%	0.0%	0.1%
Present Value of Total Obligation	298,647	298,350	298,056
Projected Service Cost	4,217	4,217	4,217
Adjustment to pension increases and deferred revaluation	0.1%	0.0%	0.1%
Present Value of Total Obligation	302,918	298,350	293,854
Projected Service Cost	4,316	4,217	4,120
Adjustment to mortality age rating assumption	Add 1 year	None	Less 1 year
Present Value of Total Obligation	309,640	298,350	287,475
Projected Service Cost	4,358	4,217	4,081

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Essex County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a number of years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2020.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £4.665 million.

32. CONTINGENT LIABILITIES

At 31 March 2019, the Council has the following contingent liabilities.

Insured Liabilities

The Council insures various risks with Zurich Municipal and operates a self-insurance fund to cover small claims and that part of larger claims which are subject to an excess. The fund balance as at 31 March 2019 was £3,542,738 (£3,315,155 at 31 March 2018). The timing and the value of any unreported and unsettled future liabilities cannot be determined with any certainty.

Guarantees

In 1987 and 1992 the Council agreed jointly with a number of other local authorities to guarantee loans of £83.6 million to Home Housing Association raised to provide housing in Harlow and surrounding authorities. The guarantee is for 50 years ending 2037. The Council's proportion of the total liability is £4.5 million. No fair value for the guarantee has been included under Financial Instruments as the Council considers that the probability of the guarantee being called upon is low.

33. CONTINGENT ASSETS

The Council had a contingent asset at 31 March 2019 in respect of the Ram Gorse Park housing development, where the Council is entitled to a percentage of sale proceeds (overage) in the future. The amount is dependent on housing market conditions at the time of sale and cannot be estimated with accuracy at this stage.

34. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Overall procedures for managing risk

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy Statement (TMSS) before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The TMSS includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return on cost.

The risks covered are:

- Credit risk - the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity risk - the possibility that the Council might not have the cash available to make contractual payments on time.
- Market risk - the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk

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

This risk is minimised through the Treasury Management Strategy Statement (TMSS), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor's credit ratings services. The Council uses the creditworthiness service of Arlingclose Limited, its treasury management advisors, to analyse the credit ratings. The TMSS also sets maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria. The TMSS, which was approved by the Council on 1 February 2018, can be found on the Council's website.

In addition to the above, the Council uses a range of additional indicators and information sources to minimise risk, including:

- credit watches and credit outlooks from credit rating agencies,
- credit default swap spreads, which can provide early warning of likely changes in an institution's credit ratings,
- equity price movements,
- sovereign ratings to select counterparties from only the most creditworthy (AAA-rated) countries outside the UK.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to the institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to arise.

Customers for goods and services are allocated individual credit limits assessed taking into account their financial position, past experience and other parameters set by the Council and its respective departments.

The Council does not generally allow credit for its customers. As at 31 March 2019, £10.660 million of total short-term debt was overdue for payment, as shown below:

	31 March 2019 £000s	31 March 2018 £000s
Less than three months	2,140	1,472
Three to five months	414	720
More than 5 months	8,106	8,877
Total	10,660	11,070

The Council has analysed the effect of applying expected credit loss methodology to its financial assets to determine impairment loss allowances in accordance with IFRS 9 (adopted with effect from 1 April 2018) and has determined that there would be no material difference to the financial statements or carrying amount of the assets compared with calculating a provision for bad debts under IAS19 (applicable in 31 March 2018).

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements occur the Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. Instead the risk is that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

Refinancing and Maturity Risk

The maturity analysis of financial liabilities (PWLB borrowing) is as follows:

	31 March 2019 £000s	31 March 2018 £000s
5 to 10 years	41,767	41,767
10 to 20 years	125,303	125,303
20 to 30 years	44,767	44,767
Total	211,837	211,837

All trade payables are due to be paid in less than one year.

The risk that the Council will need to refinance, in the longer term, a significant proportion of its borrowing at a time of unfavourably high interest rates is addressed by close monitoring (by the Council and its treasury management advisors) of the status of loans outstanding, an analysis of current and forecast economic and market conditions and detailed consideration of the possibility of the premature repayment or rescheduling of the debt.

Market Risk

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

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowing and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as measured at fair value will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2019, £211.837 million of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates and £31.7 million (net investments) to variable rates.

If, at 31 March 2019, all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been:

Impact of 1% Change in Interest Rates	£000s
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(168)
Decrease in fair value of loans and receivables *	4
Decrease in fair value of fixed rate borrowings/ liabilities *	273

* No impact on Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

35. OTHER LONG-TERM LIABILITIES

Pension Scheme Liabilities	2018/19 £000s	2017/18 Restated £000s
As at 1 April	78,182	92,154
As at 31 March	78,182	92,154

36. LONG-TERM DEBTORS

	2018/19 £000s	2017/18 £000s
Other Long Term Loans	3,503	936
Service Charge Loans	66	34
Service Charge Debtor	288	170
Renovation Grants	267	274
Mortgages	-	1
Soft Loans	12	2
Total	4,136	1,417



SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

Housing Revenue Account (HRA) Income and Expenditure Statement

	Note	2018/19 £000s	2017/18 Restated £000s
Expenditure			
Repairs and Maintenance		(10,085)	(9,673)
Supervision and Management		(16,444)	(16,638)
Rents, Rates, Taxes and Other Charges		(50)	(110)
Depreciation and Impairments of Non-Current Assets	H7 & H10	(29,717)	(36,805)
Amortisation of Intangible Assets		(76)	(98)
Debt Management Costs		(8)	(17)
Movement in the Allowance for Bad Debts (not specified by the Code)		(205)	(85)
Sums directed by the Secretary of State that are expenditure in accordance with the Code		(5)	(5)
Total Expenditure		(56,590)	(63,431)
Income			
Dwelling Rents		42,906	43,884
Non-Dwelling Rents		1,028	1,050
Charges for Services and Facilities		3,906	3,244
Contributions towards Expenditure		1,560	822
Total Income		49,400	49,000
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(7,190)	(14,431)
HRA Services' share of Corporate and Democratic Core		(846)	(847)
Net Cost for HRA Services		(8,036)	(15,278)
HRA share of the operating income and expenditure			
Gain or (loss) on sale of HRA non-current assets		(2,152)	(11,870)
Interest payable and similar charges		(6,696)	(6,778)
Interest and investment income		168	139
Capital grants and contributions receivable		131	42
Surplus or (deficit) for the year on HRA services		(16,585)	(33,745)

NOTES TO THE HOUSING REVENUE ACCOUNT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and Government grants. Councils charge rents due to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

The account has to be self-financing and the total cost is met by income from rents, charges and Government subsidies. Contributions to or from Council Taxpayers, other than for strictly defined purposes, are not permitted under the Local Government and Housing Act 1989.

The balance on this account is not in accordance with the statutory provisions that specify the net expenditure that councils need to take into the Housing Revenue Account. In order to give a full presentation of the financial performance of the Council during the year and the actual spending power carried forward, the balance on this account needs to be reconciled in the Movement on the Housing Revenue Account Statement to the amount established by the relevant statutory provision (see following statement).

NOTES TO THE HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

The HRA Income and Expenditure Account show the actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to account for its statutory housing activity on a different accounting basis, the main differences being that:

- the difference between the calculated depreciation on HRA assets and the Housing Subsidy Major Repairs Allowance has to be adjusted back into the balance for the year,
- the gain or loss on the disposal of HRA assets has to be reversed before a final balance is calculated; and
- any impairment on HRA assets, either due to economic consumption or valuation, has to be reversed from the account before a statutory balance can be finalised.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance.

	Note	2018/19 £000s	2017/18 Restated £000s
Balance on the HRA at 1 April		14,104	12,975
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(16,585)	(33,745)
Adjustments between accounting basis and funding basis under statute	H1	16,209	34,945
Net increase or (decrease) before transfers to or from reserves		(376)	1,200
Transfers (to) or from reserves	H2	3	(71)
Increase or (decrease) in year on the HRA		(373)	1,129
Balance on the HRA as at 31 March		13,731	14,104

NOTES TO THE HOUSING REVENUE ACCOUNT

H1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

	2018/19	2017/18
	£000s	Restated £000s
Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year:		
Intangible Assets written down	76	98
Impairment of Fixed Assets	19,353	25,003
(Gain)/ Loss on sale of HRA Fixed Assets	2,153	11,870
Financial Instruments	(7)	(10)
Employer's contribution payable to the ECC Pension Fund and retirement benefits payable direct to pensioners	(1,283)	(475)
Deferred Grants written down	(130)	(42)
Accumulated Absences	(3)	4
Items not included in the HRA Income and Expenditure Account but to be included in the Movement on the HRA Balance for the year:		
Capital Expenditure Funded by the HRA	(3,950)	(1,503)
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year	16,209	34,945

H2. TRANSFERS TO / (FROM) RESERVES

	2018/19	2017/18
	£000s	£000s
Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year:		
Contribution to Insurance Fund	261	261
Contribution to Perpetuity Earmarked Reserves	324	439
Interest on Earmarked Reserves	29	18
Contribution from Insurance Fund	(155)	(107)
Contribution from Perpetuity Earmarked Reserves	(462)	(540)
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year	(3)	71

NOTES TO THE HOUSING REVENUE ACCOUNT

H3. ANALYSIS OF THE HOUSING STOCK

	2018/19	2017/18
Analysis by Type of Dwelling		
Houses and Bungalows	5,613	5,692
Flats and Maisonettes	3,557	3,578
Other	10	9
Total Dwellings	9,180	9,279
Analysis by Number of Bedrooms		
Bedsitters	398	402
1 bedroom	2,043	2,049
2 bedrooms	3,550	3,570
3 bedrooms	2,831	2,900
4 bedrooms	323	324
5 bedrooms	25	25
Hostels	11	9
Total Dwellings	9,180	9,279
The change in stock can be summarised as follows:		
Stock at 1 April	9,279	9,425
Deduct Sales, Demolitions, etc	(99)	(146)
Stock at 31 March	9,180	9,279

H4. BALANCE SHEET VALUES FOR THE HOUSING STOCK

	as at 31 March 2019 £000s	as at 1 April 2018 £000s	as at 31 March 2018 Restated £000s
Council Dwellings:			
Land	171,421	170,521	181,488
Dwellings	549,511	546,646	543,907
	720,932	717,167	725,395
Other land and buildings	17,917	18,068	16,513
Infrastructure and community assets	326	335	335
Assets under construction	50	-	-
Surplus assets not held for sale	337	4,520	4,481
Assets held for sale	1,554	1,534	1,528
Total HRA Balance Sheet Values	741,116	741,624	748,252

NOTES TO THE HOUSING REVENUE ACCOUNT

H5. VACANT POSSESSION

The vacant possession values of the Council's Housing stock as at 1 April 2018 amounted to £1,901,427,521. Of this figure £193,420 related to surplus stock and £673,100 for temporary accommodation both valued at Existing Use Value. The remaining sum of £1,900,561,001 is attributable to council dwellings, which is subject to a social housing factor of 38% (a reduction of 62%) giving a specific valuation of £722,213,180. The net valuation of housing stock is therefore £723,079,700.

	as at 1 April 2019 £000s	as at 1 April 2018 £000s
Vacant possession value of dwellings	1,901,428	1,870,795

The vacant possession value and Balance Sheet value of dwellings within the HRA show the economic cost of providing council housing at less than market rents.

H6. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Some expenditure that is classed as revenue expenditure under CIPFA's capital accounting rules in line with International Financial Reporting Standards can actually be financed from capital resources under statute. For example Home Improvement Grants to individuals. In Harlow this includes the Disabled Facilities programme totalling £353,000 in 2018/19. This expenditure is included in the Council's capital programme summaries to show the use of capital resources but the spending and capital resources are reflected in the Council's revenue accounts.

H7. IMPAIRMENT CHARGES

Operational Assets	2018/19 £000s	2017/18 Restated £000s
Dwellings	19,270	24,688
Other Property	161	413
Total	19,431	25,101

NOTES TO THE HOUSING REVENUE ACCOUNT

H8. CAPITAL EXPENDITURE AND FINANCING

	2018/19 £000s	2017/18 £000s
HRA Capital Expenditure:		
Dwelling Stock	16,899	13,147
Non-Dwelling works	85	162
Assets Under Construction	50	-
Investment in Information Technology	171	37
	17,205	13,346
Financed by		
Grant Contributions	131	42
Usable Capital Receipts	2,762	-
Revenue Contributions	3,950	1,503
Major Repairs Reserve	10,362	11,801
	17,205	13,346

H9. CAPITAL RECEIPTS

	2018/19 £000s	2017/18 £000s
Sale of Council Houses - Direct	5,439	7,424
Other (including shared ownership)	379	472
	5,818	7,896

The number of sales of Council houses fell in 2018/19 with forty four tenants purchasing their properties under the Right to Buy Scheme. Under the Self Financing arrangements councils retain a larger proportion of the capital receipt from each sale to compensate for the loss of rent from properties sold. In accordance with the Capital Receipts Pooling Regulations councils no longer pool receipts from the sale of other property or land so retain the full receipt.

H10. CHARGES FOR DEPRECIATION

Depreciation	2018/19 £000s	2017/18 £000s
Council Dwellings	10,123	11,530
Other Land and Buildings	152	162
Infrastructure and Community Assets	9	9
Surplus assets not held for sale	3	3
Total	10,286	11,704
Operational Assets	10,123	11,530
Non-Operational Assets	163	174
Total	10,286	11,704

NOTES TO THE HOUSING REVENUE ACCOUNT

H11. MOVEMENT ON THE MAJOR REPAIRS RESERVE

Major Repairs Reserve	2018/19 £000s	2017/18 £000s
Balance as at 1 April		
Transfers in - depreciation	10,362	11,801
Transfers out to the HRA	-	-
Capital Spending on Housing Stock met by the Reserve	(10,362)	(11,801)
Balance as at 31 March	-	-

H12. HRA SHARE OF CONTRIBUTIONS TO/ FROM THE PENSIONS RESERVE

The actual payments for pensions made to the pension fund from the HRA of £415,000 (2017/18: £355,000) plus the continuing pension payments in relation to underfunding and early retirements awarded to HRA employees of £1,709,000 (2017/18: £1,758,000) are removed from the HRA and replaced by the current service cost applying the principles of IAS 19 making a total amount removed of £2,124,000 (2017/18: £2,113,000). The corresponding entry is to the Pensions Fund Reserve

The current service cost included in the HRA is the IAS 19 reported sum of £1,321,000 (2017/18: £3,770,000) which represents the pension costs of current staff.

H13. RENT ARREARS

Outstanding rent arrears at 31 March 2019 total £3,265,000 plus £84,000 overpaid housing benefit (£3,151,000 and £95,000 at March 2018). An allowance for the impairment of debts has been made as at 31 March 2019 totalling £2,819,000 (£2,714,000 at March 2018).

The arrears exclude prepayments of £840,000 and may be analysed as follows:

Rent Arrears	As at 31 March 2019 £000s	As at 31 March 2018 £000s
Due from Current Tenants	1,366	1,331
Due from Former Tenants	1,899	1,820
Arrears (gross)	3,265	3,151
Prepayments	(840)	(786)
Net Arrears	2,425	2,365

These arrears include all charges due from tenants i.e. rent, rates, heating and other charges. The HRA has been setting aside funds to meet irrecoverable debts in respect of such arrears.

COLLECTION FUND

Collection Fund Statement	2018/19			2017/18
	Business Rates £000s	Council Tax £000s	TOTAL £000s	TOTAL £000s
Income				
Council Tax amount due	-	46,789	46,789	44,372
Business Rates amount due	47,029	-	47,029	47,798
Contribution to previous year's deficit				
- Harlow District Council	-	-	-	339
- Ministry for Housing, Communities and Local Government (MHCLG)	-	-	-	1,057
Reduction in impairment allowance	304	176	480	-
Reduction in provision for appeals	-	-	-	248
Total Income	47,333	46,965	94,298	93,814
Expenditure				
Distribution of previous year's surplus				
- Harlow District Council	102	685	787	-
- Essex County Council	23	2,927	2,950	1,955
- Essex Police Authority	-	395	395	289
- Essex Fire Authority	2	174	176	107
- MHCLG	127	-	127	-
	254	4,181	4,435	2,351
Precepts, Demands and Shares				
- Harlow District Council	18,769	6,968	25,737	25,026
- Essex County Council	4,223	31,265	35,488	33,227
- Essex Police Authority	-	4,325	4,325	3,931
- Essex Fire Authority	469	1,801	2,270	2,183
- MHCLG	23,461	-	23,461	22,762
	46,922	44,359	91,281	87,129
Disregarded Amounts				
Enterprise Zone	875	-	875	1,675
Charges to the Collection Fund				
Increase in impairment allowance	-	-	-	1,144
Increase in provision for appeals	144	-	144	-
Interest on refunds	34	-	34	-
Cost of Collection	117	-	117	118
Write offs	(1)	-	(2)	-
Transitional protection payments	637	-	637	1,202
	931	-	931	2,464
Total Expenditure	48,982	48,540	97,522	93,619
(Surplus)/Deficit for year	1,649	1,575	3,224	(195)
Balance brought forward (surplus)/deficit	212	(3,883)	(3,671)	(3,476)
Balance carried forward 31 March 2019 (surplus)/ deficit	1,861	(2,308)	(447)	(3,671)

COLLECTION FUND

CF1. Business Rates

National Non-Domestic Rates (also known as NNDR or Business Rates) are based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate (a “multiplier”) set nationally by Central Government. The national multipliers for 2018/19 were 48.0p for qualifying small businesses and 49.3p for all other businesses (46.6p and 47.9p respectively in 2017/18).

The NNDR income due (after exemptions and reliefs) of £47.029 million for 2018/19 (£47.798 million for 2017/18) was based on an average rateable value for the Council’s area of £110.372 million for the year (£109.830 million in 2017/18).

CF2. Council Tax

Council Tax income derives from charges raised according to the value of residential properties (estimated as at 1 April 1991), which have been classified into eight valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council, Essex Police and Crime Commissioner, Essex Fire Authority and the Council for the forthcoming year and dividing this by the Council Tax base. The Council Tax base, which was 25,590.01 for 2018/19 (25,032.14 for 2017/18), is the aggregate of an adjusted total number of properties in each valuation band (reduced by allowances for discounts and an estimated collection rate) converted by a proportion to the number of Band D equivalent chargeable dwellings.

The Council Tax base was calculated as follows:

Valuation Band	Number of properties	Total equivalent dwellings after discounts	Proportion	Band D equivalents
A - Disabled	2	0.18	5/9	0.10
A	2,523	1,474.16	6/9	982.77
B	7,830	5,060.97	7/9	3,936.31
C	18,637	14,750.35	8/9	13,111.42
D	4,252	3,645.71	9/9	3,645.71
E	2,345	2,079.17	11/9	2,541.21
F	945	859.87	13/9	1,242.04
G	411	378.52	15/9	630.87
H	12	10.91	18/9	21.82
	36,957	28,259.84		26,112.25
Tax Base at 98% collection rate				25,590.01

COLLECTION FUND**CF3. Distribution of surplus/deficit**

Distribution of Surplus/(Deficit)	Council Tax		Business Rates	
	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s
Harlow Council	(362)	(638)	744	85
Essex County Council	(1,626)	(2,717)	167	19
Essex Police and Crime Commissioner	(226)	(366)	-	-
Essex Fire Authority	(94)	(162)	19	2
Ministry of Housing, Communities and Local Government	-	-	931	106
	(2,308)	(3,883)	1,861	212

Group Accounts for the year ended 31 March 2019**Introduction**

In order to provide a full picture of the economic and financial activities of the Council and its exposure to risk, the accounting statements of material subsidiary companies are consolidated with those of the Council. The resulting Group Accounts are presented in addition to the Council's single entity accounts. They include the core accounting statements, similar in presentation and purpose to the Council's accounts, and any explanatory notes considered necessary to explain material movements from the single entity accounts. Where no notes are given, users of the accounts should refer to the notes in the single entity accounts.

Group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, consolidating any material subsidiary, associate or joint venture entities over which the Council exercises control or influence.

Harlow Trading Services (Property & Environment) Ltd. ("HTS") began active trading on 1 February 2017; of which the Council owns 100% shares (cash consideration £1), and has been consolidated as a wholly owned subsidiary.

Accounting Policies

HTS has prepared 2018/19 accounts using, in the main, accounting policies consistent with those applied by the Council. The major exception is in respect of employee pensions. HTS is an admitted body to the Local Government Pension Scheme and, as such, it makes fixed contributions to the pension fund and its employees in the scheme are entitled to the post-employment benefits from the scheme. The Council makes further contributions to the fund in respect of HTS employees to ensure that the pension liability attributable to HTS is fully funded. That pension fund liability is excluded from both the pension disclosures in the single entity accounts of the Council and the accounts of the company. HTS' accounting policies have been aligned to those of the Council so that the liability is reflected in the Group Accounts. In addition, there is a minor adjustment for depreciation to align accounting policies. Both entities have a financial year end of 31 March.

As a subsidiary, the accounts of HTS have been consolidated with those of the Council on a line by line basis, and any balances and transactions between parties have been eliminated in full. HTS' expenditure and income, adjusted for transactions with the Council, is included on the relevant service lines in the Comprehensive Income and Expenditure Statement; and balance sheet values are similarly incorporated into the relevant heading of the Balance Sheet, removing balances owed between the two parties.

HTS Summary Single Entity Accounts

IFRS Standard 12 requires that summarised financial information for subsidiaries is provided within the Council's accounts. The Summary Profit and Loss Account and Summary Balance Sheet are given below.

GROUP ACCOUNTS

HTS Profit and Loss Account	2018/19	2017/18
	£000s	£000s
Turnover	23,329	23,753
Cost of Sales	(20,281)	(20,000)
Gross Profit	3,048	3,753
Administrative Expenses	(2,534)	(3,244)
Operating Profit from continuing operations before Tax	514	509
Tax on Profit on Ordinary Activities	(101)	(97)
Profit for the period	413	412

Note: 2017/18 figures are in respect of the 14 months to 31 March 2018. The first two months contributed £110,000 to the profit above and below. That amount was included in the Council's 2016/17 single entity accounts.

HTS Balance Sheet	2018/19	2017/18
	£000s	£000s
Property, Plant & Equipment	893	1,012
Intangible Assets	269	359
Long-Term Assets	1,162	1,371
Trade and Other Receivables	1,582	1,387
Cash and Cash Equivalents	1,868	1,829
Current Assets	3,450	3,216
Current Liabilities	(3,315)	(3,314)
Long-Term Liabilities	(472)	(861)
Net Assets attributable to members	825	412
Balance brought forward	(412)	-
Profit for the period	(413)	(412)
Total Reserves	(825)	(412)

GROUP ACCOUNTS

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council and HTS, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and rent setting purposes. The net increase/ decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Group Movement in Reserves Statement	Harlow Council Reserves £000s	HTS Reserves * £000s	Group Reserves £000s
Balance at 31 March 2017 brought forward	550,585	(13,877)	536,708
Movement in reserves during 2017/18			
Surplus / (Deficit) on the provision of services	(30,879)	(1,392)	(32,271)
Other Comprehensive Income and Expenditure	88,022	2,671	90,693
Total Comprehensive Income and Expenditure	57,143	1,279	58,422
Adjustments between accounting basis & funding basis under regulations	-	13	13
Increase / (Decrease) in 2017/18	57,143	1,292	58,435
Balance at 31 March 2018 carried forward	607,728	(12,585)	595,143
Movement in reserves during 2018/19			
Surplus / (Deficit) on the provision of services	(22,906)	(1,692)	(24,598)
Other Comprehensive Income and Expenditure	30,579	1,953	32,532
Total Comprehensive Income and Expenditure	7,673	261	7,934
Adjustments between accounting basis and funding basis under regulations	-	(10)	(10)
Increase / (Decrease) in 2018/19	7,673	251	7,924
Balance at 31 March 2019 carried forward	615,401	(12,334)	603,067

* Including attributable pensions liability of £13.174 million at 31 March 2019 (£13.000 million at 31 March 2018)

GROUP ACCOUNTS

Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Group Comprehensive Income and Expenditure Statement (CIES)	2018/19 Harlow Council	2018/19 HTS	2018/19 Group CIES	2017/18 Group CIES
	£000s	£000s	£000s	£000s
Net Expenditure				
Managing Director & Services	185	-	185	240
Corporate Services	1,052	545	1,597	877
Community Wellbeing	5,330	57	5,387	4,490
Finance	3,193	78	3,271	(7,049)
Place	4,066	(893)	3,173	6,858
Housing GF	1,355	20	1,375	997
Governance	1,768	24	1,792	1,642
Housing HRA	4,304	838	5,141	10,865
Third party sales	-	(120)	(120)	(66)
Cost of Services	21,253	549	21,802	18,854
Other Operating Expenditure	6,356	-	6,356	15,626
Financing and Investment Income and Expenditure	8,712	1,041	9,753	12,114
Taxation and Non-Specific Grant Income	(13,415)	-	(13,415)	(14,394)
(Surplus)/ Deficit on Provision of Services	22,906	1,590	24,495	32,200
Tax expenses on subsidiaries	-	101	101	71
	22,906	1,691	24,596	32,271
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets	(14,490)	-	(14,490)	(73,153)
(Surplus)/ Deficit on Revaluation of Available for Sale Financial Assets	3	-	3	(77)
Actuarial (Gains)/ Losses on Pension Assets and Liabilities	(16,092)	(1,953)	(18,045)	(17,463)
Other Comprehensive Income and Expenditure	(30,579)	(1,953)	(32,532)	(90,693)
Total Comprehensive Income and Expenditure	(7,673)	(262)	(7,936)	(58,422)

GROUP ACCOUNTS

Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by the reserves held by the group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserves that may only be used to fund capital or repay debt). The second category of reserves is those that the group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold: and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Group Balance Sheet	Note	2018/19	HTS	2018/19	2017/18	2016/17
		Harlow Council		Group	Group	Group
		£000s	£000s	£000s	Restated £000s	Restated £000s
Property, Plant & Equipment	G1	871,790	916	872,706	872,047	836,142
Heritage Assets		1,738	-	1,738	1,622	1,622
Investment Property		1,347	-	1,347	1,337	1,789
Intangible Assets		623	269	892	1,125	1,680
Long-Term Investments		3,961	-	3,961	1,955	696
Long-Term Debtors		4,136	(702)	3,434	482	1,680
Long-Term Assets		883,595	483	884,078	878,568	843,609
Short-Term Investments		7,524	-	7,524	11,321	14,048
Assets Held for Sale		1,554	-	1,554	1,528	2,497
Inventories		40	42	82	66	61
Short-Term Debtors	G2	10,315	874	11,189	11,748	11,244
Cash and Cash Equivalents	G3	21,501	1,868	23,369	27,432	21,452
Current Assets		40,934	2,784	43,718	52,095	49,302
Short-Term Borrowing		(81)	-	(81)	(81)	(80)
Short-Term Creditors	G4	(16,523)	(2,419)	(18,942)	(15,723)	(18,064)
Short-Term Provisions		(1,133)	-	(1,133)	(1,117)	(1,110)
Grants Receipts in Advance - Revenue		(3)		(3)	(151)	
Current Liabilities		(17,740)	(2,419)	(20,159)	(17,072)	(19,254)
Long-Term Creditors		(224)	-	(224)	(809)	(867)
Long-Term Borrowing		(211,837)		(211,837)	(211,837)	(211,837)
Other Long-Term Liabilities	G5	(78,182)	(13,174)	(91,356)	(105,154)	(124,001)
Grants Receipts in Advance - Capital		(999)	-	(999)	(539)	(244)
Grants Receipts in Advance - Revenue		(148)		(148)	(108)	
Long-Term Liabilities		(291,390)	(13,174)	(304,564)	(318,447)	(336,949)
Net Assets		615,400	(12,326)	603,074	595,144	536,708
Usable Reserves		(54,174)	12,326	(41,848)	(38,998)	(30,941)
Unusable Reserves	G6	(561,226)	-	(561,226)	(556,146)	(505,767)
Total Reserves		(615,400)	12,326	(603,074)	(595,144)	(536,708)

GROUP ACCOUNTS

Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the group during the reporting period. The statement shows how the group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the group are funded by way of taxation and grant income or from the recipients of services provided by the group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the group.

Group Cash Flow Statement	2018/19 Harlow Council £000s	2018/19 HTS £000s	2018/19 Group £000s	2017/18 Group £000s
Net Surplus/(Deficit) on the Provision of Services	(22,906)	(1,692)	(24,598)	(39,186)
Adjustments to Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements	46,163	2,423	48,586	62,940
Adjustments for Items Included in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities	(7,820)	-	(7,820)	(6,577)
Net Cash Flows from Operating Activities	15,437	731	16,168	17,177
Investing Activities	(17,988)	(692)	(18,680)	(9,925)
Financing Activities	(1,551)	-	(1,551)	(1,272)
Net (Increase)/Decrease in Cash and Cash Equivalents	(4,102)	39	(4,063)	5,980
Cash and Cash Equivalents at the Beginning of the Reporting Period	25,603	1,829	27,432	21,452
Cash and Cash Equivalents at the End of the Reporting Period	21,501	1,868	23,369	27,432

GROUP ACCOUNTS

Notes to the Group Accounts

G1 Property, Plant and Equipment

2018/19	Property, Plant and Equipment				
	Harlow Council*	HTS			Group
		Land and Buildings	Vehicles Plant and Equipment	Total	
	£000s	£000s	£000s	£000s	£000s
Cost or Valuation at 1 April 2018	882,534	16	1,220	1,236	883,770
Additions	26,765	25	128	153	26,918
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	13,158	-	-	-	13,158
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(30,722)	-	-	-	(30,722)
Derecognition - Disposals	(6,613)	-	(6)	(6)	(6,619)
Other movements in cost or valuation	(1,539)	-	-	-	(1,539)
Cost of Valuation at 31 March 2019	883,583	41	1,342	1,383	884,966
Accumulated Depreciation and Impairment at 1 April 2018	(11,502)	(3)	(218)	(221)	(11,723)
Depreciation Charge	(12,015)	(6)	(241)	(247)	(12,262)
Depreciation written out to the Revaluation Reserve	6,876	-	-	-	6,876
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	4,849	-	-	-	4,849
Accumulated Depreciation and Impairment at 31 March 2019	(11,793)	(9)	(459)	(468)	(12,260)
Net Book Value					
At 31 March 2019	871,790	32	883	915	872,705
At 31 March 2018	871,032	13	1,002	1,015	872,047
	759	19	(119)	(100)	659

* See note 10, page 49

GROUP ACCOUNTS

2017/18 Restated	Property, Plant and Equipment				Group £000s
	Harlow Council*	HTS			
		Land and Buildings	Vehicles Plant and Equipment	Total	
£000s	£000s	£000s	£000s	£000s	
Cost or Valuation at 1 April 2017	846,310	-	865	865	847,175
Additions	20,711	16	355	371	21,082
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	58,533	-	-	-	58,533
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(22,908)	-	-	-	(22,908)
Derecognition - Disposals	(18,670)	-	-	-	(18,670)
Other movements in cost or valuation	(1,442)	-	-	-	(1,442)
Cost of Valuation at 31 March 2018	882,534	16	1,220	1,236	883,770
Accumulated Depreciation and Impairment at 1 April 2017	(11,033)	-	-	-	(11,033)
Depreciation Charge	(13,553)	(3)	(218)	(221)	(13,774)
Depreciation written out to the Revaluation Reserve	13,025	-	-	-	13,025
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	2	-	-	-	2
Other movements in depreciation and impairment	57	-	-	-	57
Accumulated Depreciation and Impairment at 31 March 2018	(11,502)	(3)	(218)	(221)	(11,723)
Net Book Value					
At 31 March 2018	871,032	13	1,002	1,015	872,047
At 31 March 2017 (restated)	835,277	-	865	865	836,142
	35,755	13	137	150	35,905

* See note 10, page 50

GROUP ACCOUNTS

G2 Short-Term Debtors

	Balance as at 31 March 2019			Balance as at 31 March 2018		
	Harlow Council	HTS	Group	Harlow Council Restated	HTS	Group
	£000s	£000s	£000s	£000s	£000s	£000s
Trade Receivables	4,984	874	5,858	6,869	700	7,569
Business Rates	678	-	678	623	-	623
Housing Rents	2,466	-	2,466	1,993	-	1,993
Council Tax	1,755	-	1,755	1,101	-	1,101
Prepayments	236	-	236	85	-	85
Related Parties	167	-	167	348	-	348
Other Receivables	29	-	29	29	-	29
Total	10,315	874	11,189	11,048	700	11,748

G3 Cash and Cash Equivalents

	Balance as at 31 March 2019			Balance as at 31 March 2018		
	Harlow Council	HTS	Group	Harlow Council	HTS	Group
	£000s	£000s	£000s	£000s	£000s	£000s
Cash held by the Council	14	-	14	8	-	8
Bank current accounts	1,273	1,362	2,635	1,391	1,328	2,719
Short-term deposits with financial institutions	20,214	506	20,720	24,204	501	24,705
Total	21,501	1,868	23,369	25,603	1,829	27,432

G4 Short-Term Creditors

	Balance as at 31 March 2019			Balance as at 31 March 2018		
	Harlow Council	HTS	Group	Harlow Council Restated	HTS	Group
	£000s	£000s	£000s	£000s	£000s	£000s
Trade Payables	9,138	2,419	11,557	6,233	2,159	8,392
Receipts in advance	1,807	-	1,807	2,311	-	2,311
Related Parties	3,771	-	3,771	4,794	-	4,794
Other Payables	1,806	-	1,806	226	-	226
Total	16,523	2,419	18,942	13,564	2,159	15,723

GROUP ACCOUNTS

G5 Other Long-Term Liabilities

	Balance as at 31 March 2019			Balance as at 31 March 2018 Restated		
	Harlow Council £000s	HTS £000s	Group £000s	Harlow Council £000s	HTS £000s	Group £000s
Pension Scheme Liabilities	78,182	13,174	91,356	92,154	13,000	105,154
Total	78,182	13,174	91,356	92,154	13,000	105,154

G6 Unusable Reserves

	Balance as at 31 March 2019			Balance as at 31 March 2018		
	Harlow Council £000s	HTS £000s	Group £000s	Harlow Council £000s	HTS £000s	Group £000s
Revaluation Balances						
Revaluation Reserve	439,322	-	439,322	432,662	-	432,662
Financial Instruments Revaluation Reserve	(39)	-	(39)	-	-	-
Adjustment Accounts						
Available for Sale Financial Instruments Reserve	-	-	-	(47)	-	(47)
Capital Adjustment Account	199,794	-	199,794	212,789	-	212,789
Financial Instruments Adjustment Account	(1)	-	(1)	(2)	-	(2)
Deferred Capital Receipts	728	-	728	730	-	730
Pensions Reserve	(78,182)	-	(78,182)	(92,154)	-	(92,154)
Collection Fund Adjustment Account	(342)	-	(342)	2,229	-	2,229
Accumulated Absences Account	(55)	-	(55)	(61)	-	(61)
Total Unusable Reserves	561,225	-	561,225	556,146	-	556,146

GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS AND ABBREVIATIONS

This glossary of terms and abbreviations is designed to aid interpretation of the Council's Statement of Accounts.

Accounting Period

A period of 12 months commencing on 1 April also referred to as "financial year of account" or "financial year". The end of the accounting period (31 March) is the Balance Sheet date.

Accruals

Amounts included in the accounts for income or expenditure relating to the financial year for which payment has not been received or made in the financial year. The Council accrues for both revenue and capital items.

Amortisation

The measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period, charged to the Income and Expenditure Account. It reduces the carrying value of these assets in the Balance Sheet and is similar to a depreciation charge.

Annual Governance Statement

A statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively.

Assets Held for Sale

Assets are classified as held for sale if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes any assets that are going to be abandoned or scrapped at the end of their useful lives.

Balances (or Reserves)

Accumulated funds available to the Council. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities; and some that are technical only and may not be used to finance services.

Billing Authority

A local authority responsible for collecting Council Tax and Non-Domestic Rates.

Business Rates

Business Rates (sometimes referred to as Non-Domestic Rates or NDR) are charged on most non-domestic premises, including commercial properties such as shops, offices, pubs, warehouses and factories. The sums collected by the Council are distributed to Central Government (50%) and to local authorities for the area (Harlow Council 40%, Essex County Council 9% and Essex Fire Authority 1%).

Capital Expenditure

Spending which produces or enhances an asset such as land, buildings, roads, vehicles, plant and machinery, and intangible assets such as computer software. Any expenditure which does not fall within the definition must be charged to a revenue account.

GLOSSARY OF TERMS AND ABBREVIATIONS

Capital Adjustment Account

An account that reflects financing of capital from revenue and capital receipts together with the adjustment of the minimum revenue provision.

Capital Receipts

Proceeds from the sale of fixed assets such as land and buildings which can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure, within rules set down by Government. Capital receipts cannot be used to finance revenue expenditure.

Carrying Amount

The value at which an asset is shown in the Balance Sheet after deducting any accumulated depreciation and impairment losses.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The professional accountancy body concerned with local authorities and the public sector.

Code of Practice (The Code)

The Code of Practice on Local Authority Accounting in the United Kingdom (issued by CIPFA) defines proper accounting practices to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards and carries statutory status via the provision of the Local Government Act 2003.

Collection Fund

A statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging authority in relation to Business Rates and Council Tax, and illustrates the way in which the fund balance is distributed to the Government, preceptors and the Council.

Collection Fund Adjustment Account

A reserve that reconciles differences between statutory requirements as a Billing Authority and proper accounting practice.

Community Assets

The class of Fixed Assets held in perpetuity that have no determinable useful life and may have restriction on their disposal.

Componentisation

Identifying parts of an asset which, by their nature, are required to be depreciated according to their individual economical lives. For example, components in a building might comprise land, building structure, major mechanical and electrical items.

Consumer Price Index (CPI)

A measure of inflation that examines changes in the weighted average of prices of a basket of consumer goods and services. Changes in CPI are used to assess price changes associated with the cost of living.

Contingent Assets/Liabilities

Potential gains and losses for which a future event will establish whether a liability or asset exists and for which it is inappropriate to set up a debtor or provision in the accounts.

GLOSSARY OF TERMS AND ABBREVIATIONS

Arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, e.g. mortgages. The balance is reduced by the amount repayable in any financial year.

Depreciation

A charge made to the accounts that represents a measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

DWP

The Department for Work and Pensions - Central Government department which administers the State Pension and a range of working age, disability and ill health benefits.

Earmarked Reserves

Funds set aside for a specific purpose, or a particular service, or type of expenditure.

Finance Lease

An arrangement whereby the lessee is treated as the owner of the leased asset, and is required to include such assets within fixed assets on the balance sheet.

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Includes bank deposits, cash, investments, debtors (or receivables), long-term debtors, creditors, temporary loans and borrowings.

Fixed Assets - Tangible

Assets with a physical presence such as land and buildings and which yield benefits to the Council and the services it provides for a period of more than one year.

Fixed Assets – Intangible

Assets which are of benefit to the organisation but have no physical presence such as software licences.

General Fund

The primary account through which the Council's transactions pass relating to non-HRA activities. The balance at year-end is not earmarked for any specific purpose.

Harlow Trading Services (Property & Environment) Ltd (HTS)

A company set up by the Council and a wholly owned subsidiary of HTS Group Ltd. Provide housing repairs and maintenance, capital and planned works, facilities management, environmental and compliance services to the tenants, leaseholders and residents of Harlow.

Infrastructure Assets

Assets which have no tangible value such as highways and roads.

International Accounting Standard Board (IASB)

The accounting standards setting body.

International Financial Reporting Standard (IFRS)

GLOSSARY OF TERMS AND ABBREVIATIONS

Accounting standards which are recognised globally.

Impairment

An accounting adjustment made to the value of an asset when its carrying amount (the amount at which an asset is recognised in the Balance Sheet after deducting accumulated depreciation and impairment losses) exceeds its recoverable amount (the higher of assets fair value less cost of sale and its value in use).

Intangible Assets

Assets which are of benefit to the organisation but have no physical presence such as software licences.

International Public Sector Accounting Standards (IPSAS)

A set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

Investment Property

Land and buildings, or part of a building held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of operations.

Investments – Short-Term

Cash deposits for less than one year with approved institutions.

Loans and Receivables

Sums invested by the Council that are not quoted in an active market; and short-term trade debtors.

Long-Term Debtors

Debtors where the capital income is still to be received, for example, from the sale of an asset or the granting of a loan.

Medium Term Financial Strategy (MTFS)

The Council's strategic financial plan for a future five year period. It takes into account the anticipated cost of future service plans and matches this with the Council's financial resources and its forecast levels of grant and other income.

Minimum Revenue Provision (MRP)

A charge made to the General Fund or HRA revenue accounts representing the setting aside of prudential sums for the repayment of debt. When a Council has incurred borrowing, there is a statutory requirement to set a prudent level of MRP for the General Fund.

MHCLG

The Ministry of Housing, Communities and Local Government - a Government department responsible for housing, planning, devolution and local government, as well as community issues.

Movement in Reserves Statement (MIRS)

A core financial statement which shows the movement in usable and unusable reserves (the Council's total reserve balances).

GLOSSARY OF TERMS AND ABBREVIATIONS

Net Realisable Value

The amount at which an asset could be sold after the deduction of any related selling costs.

Non-Current Assets

Capital assets which provide benefits to the Council for more than a year.

Non-operational Assets

Non-current assets held by an organisation but not directly occupied, used or consumed in the delivery of services. An example of a non-operational asset is an investment property or an asset being held pending its sale.

Operational Asset

Non-current assets held by the Council and used or consumed in the delivery of its services.

Operating Lease

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the lessor.

Pension Fund

A pension scheme for employees, maintained by an administering authority, or a group of authorities, under statute primarily in order to make pension payments on retirement of scheme members. It is financed from contributions from both the employing authorities and the employees together with income from investments.

Perpetuity Reserves

Funds received from a range of sources over many years which have covenants concerning their use (contractually binding obligations, usually indefinite in nature), or have incorporated other contractual or ring-fencing obligations.

Pooling of Housing Capital Receipts

The requirement to pay to the Government a proportion of certain types of capital receipt, such as from the sale of council houses under the Right to Buy scheme.

Precept

An amount which an authority (e.g. a County Council) requires from a Billing Authority (e.g. District Councils) to meet its expenditure requirements. The Billing Authority collects these sums from its residents through the Council Tax.

Profit on the sale of Non-Current Assets

The difference between the book value of an asset sold and the sale proceeds.

Provisions

Sums set aside to meet future expenditure where a specific liability is known to exist but cannot be measured accurately.

Receivables

See "Loans and Receivables" above.

Reserves

GLOSSARY OF TERMS AND ABBREVIATIONS

Amounts set aside, each for a specific purpose in one year and carried forward to meet future obligations.

Retail Price Index (RPI)

Measure of inflation that examines changes in the weighted average of prices of a basket of consumer goods and services. RPI includes the cost of mortgage interest in its calculation which is excluded from CPI.

Revenue

Costs and income relating to the day-to-day running of services e.g. salaries and wages, supplies and services, transport and fees from service-related income.

Revenue Expenditure Funded from Capital under Statute

Capital expenditure which is allowable by statute to be funded from capital resources but which does not fall within the Code's definition of Non-current assets. Examples include grants and similar advances made to other parties to finance capital investment.

Revenue Support Grant

Government grant provided by the MHCLG based on the Government's assessment as to what should be spent on local services. The amount of grant is fixed at the beginning of each financial year.

Surplus Asset

A non-current asset not in use which does not meet the criteria of Assets Held and is held as Property, Plant and Equipment.

Tangible Assets

Property, plant and equipment which has long-term physical existence or is acquired for use in the operations of the organisation and is not specifically held for sale to customers. .

UK Generally Accepted Accounting Practice (GAAP) Accounting Standards

Accounting Standards and other guidance published by the UK's Financial Reporting Council (FRC).



***INDEPENDENT AUDITOR'S
REPORT AND CERTIFICATE***

**INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF HARLOW DISTRICT COUNCIL**

Issued by the appointed auditor, BDO LLP, upon completion of the audit, **due July 2019.**

ANNUAL GOVERNANCE STATEMENT

Harlow Council - Annual Governance Statement 2018/19

Scope of responsibility

- 1.1. Harlow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In meeting this overall responsibility, the Council must put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3. The Council has adopted a code of corporate governance (last reviewed November 2018) which is consistent with the principles of the CIPFA (Chartered Institute of Public Finance and Accounting)/SOLACE (Society of Local Authority Chief Executives) Framework *Delivering Good Governance in Local Government*.
- 1.4. This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015, in relation to the publication of an annual governance statement.

The purpose of the Governance Framework

- 1.5. The Governance Framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 1.6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. The system is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 1.7. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).
- 1.8. The Council's governance framework has been in place within the Council for the year ended 31 March 2019 and up to the date that the statement of accounts was approved.

The Governance Framework

- 1.9. The Council's Governance Framework has been set up over successive years and is reviewed annually to ensure its continuing effectiveness with regard to the seven CIPFA/SOLACE principles of delivering good governance as updated in 2016, which are:
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - Ensuring openness and comprehensive stakeholder engagement.
 - Defining outcomes in terms of sustainable economic, social and environmental benefits.

- Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - Developing the Council's capacity, including the capability of its leadership and the individuals within it.
 - Managing risks and performance through robust internal control and strong financial management.
 - Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
- 1.10. A brief description of the key elements of Governance Framework in place at Harlow Council is included as Appendix 1. The annual review of the effectiveness of this framework is covered in the next section.

Review of effectiveness

- 1.11. 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:
- a) the work of the senior management team who have responsibility for the development and maintenance of the governance environment
 - b) the role of the Cabinet and committees, including the Audit and Standards Committee and the Shareholders Sub Committee for the Council's wholly owned subsidiary company Harlow Trading Services
 - c) the Internal Audit Manager's Annual Report
 - d) comments made by the external auditors
 - e) other review agencies and inspectorates
- 1.12. The review has been led by the Corporate Governance Group comprising the Head of Governance, the Section 151 Officer, a Policy and Performance representative, the Internal Audit Manager, the Insurance and Risk Manager, the Legal Services Manager and other officers when they have specific contributions to make. In carrying out the review, the Group has kept in mind the seven CIPFA/SOLACE principles of effective governance. The Group has considered the following evidence:
- a) Service Assurance Statements – each third tier manager, in conjunction with their Head of Service, has completed a self-assessment covering the effectiveness of governance arrangements in their area. The self-assessments, which have been reviewed by Internal Audit, have been used to identify areas for improvement both at a service level and, where more than one service has identified an area for improvement; corporate actions have been added to the improvement plan covered in the next section.
 - b) The Internal Audit Manager's annual opinion on the Council's control framework, delivered to the Audit and Standards Committee, as the body charged with governance.
 - c) Based upon the results of work undertaken during the year it is the Internal Audit Manager's overall opinion that the Council has an adequate and effective governance, risk management and control framework for 2018/19. Areas for improvement were identified in a number of reviews and action plans agreed. Where significant deficiencies in control processes have been identified by Internal Audit, the actions that the Council's management plan to take will, if implemented satisfactorily, resolve the deficiencies in the appropriate manner.
 - d) External audit reports issued during the 2018/19 year. Where these exist, we have also used reports from other agencies and inspectorates.
- 1.13. During the year the Corporate Governance Group has been responsible for monitoring

and reviewing the corporate governance framework and for considering specific governance issues as they arise. The work of this group has strengthened many of the Council's governance processes and has addressed issues raised in the Annual Governance Statement. In particular, the group continues to ensure that there is better integration of the assurance framework and that the process for producing the Annual Governance Statement remains robust.

- 1.14. The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2018/19 and has concluded that arrangements are fit for purpose and working effectively. As a result of this assessment, a small number of governance issues have been identified and in order to further strengthen arrangements, an action plan to address these issues is set out below.

Overall opinion of Harlow's governance arrangements

- 1.15. This AGS demonstrates that the Council has sound governance arrangements in place which continue to work well in practice for the 2018/19 financial year. However, the Council is not complacent and areas for improvement or development are detailed below.

Governance Issues Identified

- 1.16. This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues identified. The Council's Corporate Governance Group, which monitors and reviews the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table 1 below:

Table 1 – Progress on significant governance issues identified in the 2017/18 AGS

Significant issue identified in 2017/18 AGS	Action taken in 2018/19 to address the issue
<p>1. General Data Protection Regulations (GDPR): On 25 May 2018, the EU General Data Protection Regulation came into force. It is important the Council not only maintains compliance but ensures there is a continuous process for improvement too.</p>	<p>The number of self-reported data breaches to the Information Commissioner’s Office during 2018/19 was low, being two. The ICO took no further action as they placed reliance on the action plan submitted with each notification.</p> <p>GDPR across the Council is overseen by the Officer Information Governance Group. Membership includes the Council’s Data Protection Officer, who works in conjunction with Internal Audit to ensure data protection compliance.</p>
<p>Common theme from the Service Assurance Statements was:</p>	
<p>2. Business Continuity Plan (BCP) testing: Testing regimes to be introduced to verify the effectiveness of business continuity plans, provide training to participants on what to do in a real scenario and identify areas where the plan needs to be strengthened.</p>	<p>Progress against this is being monitored by the Corporate Governance Group.</p> <p>The updated corporate business continuity plan/emergency plan has been reviewed by Senior Management Board, who approved the need for a testing regime to be implemented.</p> <p>A desk top exercise took place during 2018/19 which included Heads of Service and Third Tier Managers, with a more extensive test planned when the Council’s telephony system has been upgraded. In the meantime, IT disaster recovery arrangements at Latton Bush have been tested in conjunction with service users.</p> <p>Critical Incident Training involving Councillors, senior officers and key staff took place on Monday 15th April 2019.</p>

1.17. In preparing this statement and reviewing the effectiveness of the Council’s governance arrangements, the following areas have been identified for improvement. These are set out in the table below, together with the steps to be taken to address them:

Table Two: Areas for improvement or monitoring during 2019/20

Key improvement/review area	Action to be taken in 2019/20
<p>1. Harlow Trading Services (HTS) Group: With the expansion of the HTS Group, and the potential for further entities, governance arrangements need to be kept under review.</p>	<p>Review the robustness of governance arrangements, including the role of the Shareholders Sub Committee to ensure it is adequately carrying out the shareholder functions on behalf of the Council and to avoid both officer and member conflict of interests.</p>
<p>2. Brexit: If there is a 'no deal' Brexit then this may impair the Council’s strategic aims and objectives.</p>	<p>The implications are being regularly monitored by SMB. The Council liaises with the Local Resilience Forum Lead and with the East of England LGA on Brexit related operational issues and community</p>

Key improvement/review area	Action to be taken in 2019/20
	impact. In turn both these organisations liaise with MHCLG.
Common theme from the Service Assurance Statements were:	
3. Operational risk management: Recording of key operational risks could be improved to ensure they feed into the corporate risk management process and for better identification of interrelated risks.	This will be addressed through the roll out of the new risk strategy, review of the Council's risk appetite and assessment of the Council's risk maturity which will allow benchmarking of risk management within the Council against best practice and establish how well risk management as a discipline is embedded and integrated.
4. Project management: Lack of corporate approach for projects.	Outcomes on the development of project management processes and methodology within the In-Phase system needs to rolled out across the Council

- 1.18. The Corporate Governance Group will oversee this action plan over the coming year and report on progress to the Audit and Standards Committee. The Group will ensure that governance issues are promoted, addressed and monitored in a co-ordinated manner throughout the next financial year.

<p>1.19. We, the undersigned, are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. The Council's Governance Group will monitor their implementation and operation throughout the year and report progress as part of our next annual review.</p>	
<p>Signed: (Leader of the Council)</p>	<p>Date:</p>
<p>Signed: (Chief Executive)</p>	<p>Date:</p>

Appendix 1

INTEGRITY	OPENNESS	VISION	OUTCOMES	CAPACITY AND CAPABILITY	RISK AND PERFORMANCE	ACCOUNTABILITY
Behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law.	Ensure openness in its culture and engage comprehensively with stakeholders, citizens and service users.	Have a clear vision and defined desired outcome in terms of sustainable, social and environmental benefit.	Have in place interventions necessary to optimise the achievement of its intended outcomes.	Develop the Council's capacity and capability of its leadership and staff	Manage the Council's risk and performance through robust internal control and strong public finance management.	Implement good practice in transparency, reporting and audit to deliver effective accountability.
Annual Governance Statement 2018/19						
<ul style="list-style-type: none"> • A robust whistleblowing policy and zero tolerance approach to fraud and corruption. • The Constitution sets out codes of conduct for Councillors and Officers. • The Constitution, which sets out decision making framework, gives clear definitions of roles and responsibilities and a protocol for how Councillors and Officers work together 	<ul style="list-style-type: none"> • Leadership encourages open and supportive culture. • Standard committee report format and publicly available modern.gov system for reporting. • Strategy for encouraging stakeholder involvement. • Overview and Scrutiny Committee 	<ul style="list-style-type: none"> • A new corporate plan 2019 to 2022 has been approved • Draft Local Plan that supports the Council's vision • Defined standards of customer service backed by a complaints procedure 	<ul style="list-style-type: none"> • Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance • Decision making processes that receive objective and rigorous analysis including involvement of the Monitoring and Section 151 Officers • Anti-Fraud and Corruption Strategy 	<ul style="list-style-type: none"> • A People Resources Plan to ensure that the Council has the staff, the skills, the knowledge, the facilities and the resources to meet legal requirements, its Vision and Corporate Plan. • The Council has an established induction and training programme for existing and new Councillors. This process includes mentoring and training events as and when identified 	<ul style="list-style-type: none"> • A corporate Risk Strategy and toolkit. • A performance management framework which includes integrated performance and financial management report. • Medium Term Financial Strategy and integrated service planning approach • Internal Audit function to provide assurance on governance, risk management and control. • Audit and Standards Committee 	<ul style="list-style-type: none"> • Accountability for decision making detailed within the Constitution • Reporting regularly on performance and use of resources. • Requirement for managers to produce annual assurance statements which feeds into the Annual Governance Statement • Processes to ensure internal and external audit recommendations are acted upon
<ul style="list-style-type: none"> • An active Corporate Governance Group which takes charge of the Annual Governance Statement. 						

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **16 JUNE 2021**

TITLE: **AUDIT RESULTS REPORT 2018/19 (ISA 260)**

LEAD OFFICER: **SIMON FREEMAN, DEPUTY TO THE CHIEF EXECUTIVE AND HEAD OF FINANCE & PROPERTY SERVICES (01279) 446228**

RECOMMENDED that the Committee:

- A** Reviews the Audit Results Report alongside the approval of the Statement of Accounts reported to this meeting.
- B** Notes the Value for Money assessment of the Council's use of resources as contained within the attached report from the Council's appointed Auditor.

BACKGROUND

1. The report attached as Appendix 1 has been prepared by the Council's appointed auditor as required by the Audit Commissions Code of Audit Practice. The External Auditor will update Members at this meeting on the outcome of the audit. This is a report to those charged with governance on the work the auditor has carried out during the 2018/19 audit and covers:
 - a) The Council's Financial Statements;
 - b) The Value for Money Assessment;
 - c) The Whole of Government Accounts returns (for which the Council falls below the threshold that would otherwise require detailed audit review); and
 - d) The Audit Report.

ISSUES/PROPOSALS

Financial Statements

2. The audit of the 2018-19 Statement of Accounts has been a protracted process. A number of issues in the Statement have been identified and corrected, in particular, the incorrect treatment of debtors and creditors; the treatment of the HTS pension liability; the incorrect classification of some HRA expenditure; and the accounting treatment of some property, plant and equipment. The auditor anticipates issuing an unmodified opinion on the financial statements.

3. The appointed auditor will update the Committee at its meeting on 16 June 2021 on the final stages of the audit and any matters that require to be drawn to the Committee's attention.

Internal Control and Written Representations

4. The report highlights that there have been some areas of concern identified in the design or operation of internal controls that might result in a material error in the Statement of Accounts. It also confirms that the Auditor is satisfied with the draft Annual Governance Statement, which was approved at the Committee meeting on 11 September 2019.
5. The appointed auditor requested a management letter of representation in which the Deputy to the Chief Executive and Head of Finance & Property Services (DCE&HFP), as the Council's Section 151 Officer, provided information on matters which the auditor did not have sufficient audit evidence. Although approval of the letter is currently delegated to DCE&HFP it was felt that, given the period of time that had elapsed and the significant audit amendments required, that this Committee should give final approval. This management letter was considered by the Committee at the meeting on 25 November 2020.

Council's Use of Resources

6. The report identifies that, having carried out the assessment of the Council's use of resources the appointed auditor anticipates issuing an unmodified conclusion on its efficacy.

Conclusions

7. The Audit Results Report summaries the auditor's conclusions in respect of the Statement of Accounts 2018/19.

IMPLICATIONS

Community Wellbeing

None specific.

Author: Jane Greer, Head of Community Wellbeing

Finance

The Audit Results Report provides important information relating to the Council's Statement of Accounts and its Use of Resources conclusion provided by the appointed auditor.

Author: Simon Freeman, Deputy to the Chief Executive and Head of Finance & Property Services

Housing

None specific.

Author: Andrew Murray, Head of Housing

Environment and Planning

None specific

Author: Andrew Bainbridge, Head of Environment and Planning

Governance

The report provides independent assessment of the Council's governance arrangements in its assessment of the Annual Governance Statement.

Author: Simon Hill, Head of Governance

Appendices

Appendix 1 – BDO LLP – Draft Audit Results Report IAS 260 for the year ended 31 March 2019

Background Papers

None.

Glossary of terms/abbreviations used

DCE & HFP - Deputy to the Chief Executive and Head of Finance & Property Services



Report to the Audit and Standards Committee
HARLOW COUNCIL

Audit Completion Report: Year ended 31 March 2019

CONTENTS

1	Introduction	3
	Welcome	3
2	Executive summary	4
	Overview	4
	The numbers	5
	Other matters	6
3	Financial statements	8
	Audit risks overview	8
	Management override of controls	9
	Revenue (and Expenditure) recognition	10
	Property Plant & Equipment and Investment Property Valuation	11
	Pension Liability valuation	14
	Pension liability assumptions	15
	HTS pension costs and liability treatment	16
	Other matters	17
	Matters requiring additional consideration	18
4	Audit differences	19
	Unadjusted audit differences: summary	19
	Unadjusted audit differences: detail	20

	Unadjusted disclosure omissions and improvements	24
	Adjusted audit differences: summary	25
	Adjusted audit differences: Current year	26
	Adjusted audit differences: Prior year	30
	Adjusted disclosure omissions and improvements	32
5	Other reporting matters	33
	Reporting on other information	33
	Whole of Government Accounts	34
6	Use of resources	35
	Overview	35
7	Control environment	36
	Significant deficiencies	36
	Other deficiencies	37
8	Audit report	39
	Overview	39
9	Independence and fees	40
	Independence	40
	Fees	41
10	Appendices contents	42

WELCOME

Introduction

Contents

Introduction

Welcome

Executive summary

Financial statements

Audit differences

Other reporting matters

Use of resources

Control environment

Audit report

Independence and fees

Appendices contents

We have pleasure in presenting our Audit Completion Report to the Audit and Standards Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises our planned audit approach for the year ended 31 March 2019, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Standards Committee. During the completion stage of the audit it is essential that we engage with the Audit and Standards Committee on the results of our audit of the Group and the Council financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit and Standards Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Audit and Standards Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided so far during the audit.

Lisa Blake

7 June 2021



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Engagement Lead

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the Group and the Council financial statements and use of resources. This report has been prepared solely for the use of the Audit and Standards Committee and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

This summary provides an overview of the audit matters that we believe are important to the Audit and Standards Committee in reviewing the results of the audit of the financial statements and use of resources of the Group for the year ended 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

It builds upon the interim reports previously presented to the Audit and Standards Committee at its meetings in September 2019 and November 2020



Overview

Our audit work is now complete.

As reported previously to the Committee, delays against the original timetable occurred as a result of inadequate working papers initially being provided for audit and significant adjustments being required to correct the accounts, including four prior period adjustments being made totaling £68.1 million.

As a result of Covid-19 we are also required to consider the impact of the pandemic on our assessment of going concern. This work has been completed and adequate disclosures have been made.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Audit report

We anticipate issuing an unmodified audit opinion on the consolidated Group financial statements and the Council's financial statements and use of resources, as set out on page 46.

THE NUMBERS

Executive summary

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Final materiality

Group final materiality was determined based on gross expenditure.

We have decreased our materiality from the proposed £2,461,000 previously reported to £2,160,000 as a result of a decrease in expenditure.

Material misstatements

Our audit identified the following material misstatements:

- Incorrect grossing up in debtors and creditors resulting in an adjustment of £3.11 million in the balance sheet.
- Incorrect treatment of HTS pension liability in both the single entity and group accounts. The overall impact of this is an increase in the Pensions Liability of £11.61 million and a decrease in expenditure of £1.36 million. This error also results in a prior period adjustment of £32 million.
- Incorrect treatment of year end valuations resulting in combined overstatement of revaluation gains to the Revaluation Reserve, understatement of the Comprehensive Income and Expenditure Statement and corresponding adjustments to the Movement in Reserves Statement and Capital Adjustment Reserve of £19,000 in 2016/17, £1.92 million in 2017/18 and £416,299 in 2018/19.
- Incorrect classification of HRA expenditure of £5.818 million between lines within the HRA.

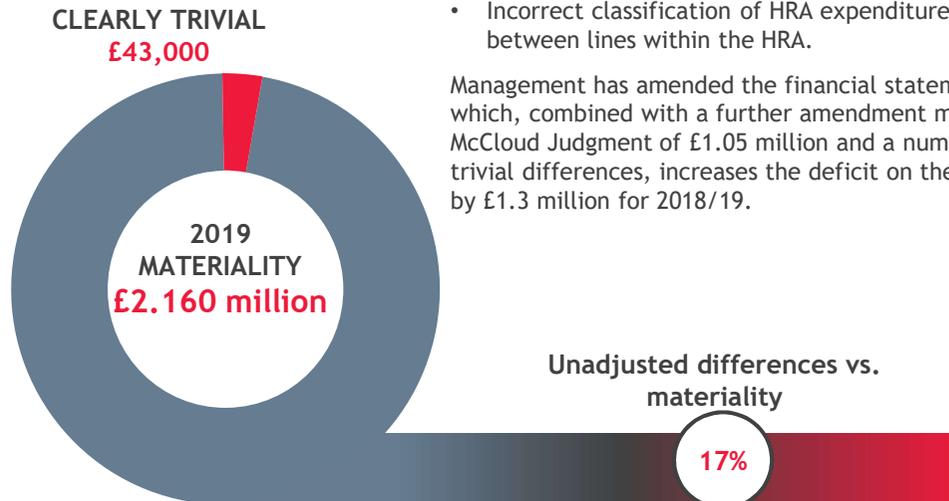
Management has amended the financial statements for these issues which, combined with a further amendment made as a result of the McCloud Judgment of £1.05 million and a number of other non trivial differences, increases the deficit on the provision of services by £1.3 million for 2018/19.

Unadjusted audit differences

We have identified unadjusted audit differences—that, if posted, would increase the net deficit on the provision of services by £369,000.

Audit scope

Our approach was designed to ensure we obtained the required level of assurance across the components of the Group in accordance with ISA (UK) 600 (Audits of Group Financial Statements). This objective has been achieved.



OTHER MATTERS

Executive summary

Contents

Introduction

Executive summary

Overview

The numbers

Other matters

Financial statements

Audit differences

Other reporting matters

Use of resources

Control environment

Audit report

Independence and fees

Appendices contents

Financial reporting

- The Pension liability for HTS was included within the single entity accounts due to the guarantee provided by the Council to Essex Pension Fund. Audit enquires and discussions with management identified that as the circumstances relating to the Guarantee have not yet crystallised there is no current liability for the Council. Management amended the statements so that the HTS Liability of £11.61 million is now included in the group accounts only (PY £9.49 million).
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures required expansion as a result of the Covid-19 pandemic and the associated impact on the Council's finances.
- The Narrative Report and other information included in the Statement of Accounts with the financial statements is consistent with the financial statements and our knowledge acquired in the course of the audit.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- The Council is below the audit threshold of £500 million for a full assurance review of the Whole of Government Accounts Data Collection Tool.

Other matters that require discussion or confirmation

- Significant deficiencies identified in relation to accounts preparation process and accounting for PPE.
- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Group and the Council in accordance with the Financial Reporting Council's Ethical Standard.



OTHER MATTERS

Significant deficiencies in internal control

Identified significant deficiencies in internal control

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit and Standards Committee.

As the purpose of the audit is for us to express an opinion on the Group and the Council's financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported here are limited to those deficiencies that we have identified during the audit and that we conclude are of sufficient importance to merit being reported to those charged with governance.

Our audit of the draft statement of accounts identified a significant number of figures included in the statements which were misstated, some materially so. We have raised these matters with the Council throughout the audit, which has resulted in revised working papers being provided to the auditors for a significant number of areas in the accounts. As a result, it has been necessary to perform additional audit work to confirm the accuracy of revisions proposed by the Council.

The errors identified in our audit varied in their nature and impact on the statement of accounts. They also include a number of misstatements in relation to the prior year (2017/18) comparatives in relation to Property Plant and Equipment and the Revaluation Reserve, which resulted in a prior period adjustment due to their material size.

The Council has also been unable to provide us with evidence that a robust review of the financial statements was carried out prior to the authorisation of the draft accounts and presenting the accounts for audit.

The material disclosure misstatements in the core financial statements certified by the section 151 officer, published by the Council and presented for audit, is contrary to the Local Authority Accounting Code of Practice requirement for the Council to produce materially accurate draft financial statements. We worked with the Council to confirm the impact of the audit findings, the Council has produced a final set of financial statements that are materially accurate and Code compliant. However there remain a number of immaterial but non-trivial inconsistencies between various parts of the financial statements. These are detailed on page 24.

Recommendations in relation to these deficiencies have been made on page 35.

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

AUDIT RISKS OVERVIEW

As identified in our Audit Plan dated 28 February 2019 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Estimates or Judgement	Use of Experts Required	Error Identified	Significant Control Findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	No
Revenue (and Expenditure) recognition	Significant	No	No	No	No	No
Property Plant & Equipment and Investment Property Valuation	Significant	Yes	Yes	Yes, material and adjusted	Yes	Yes
Pension Liability valuation	Significant	Yes	Yes	Yes, material and adjusted	No	Yes
Pension liability assumptions						
HTS pension costs and liability treatment						
Other matters						
Matters requiring additional consideration						
Treatment of HTS pension costs and liability	Significant	Yes	No	Yes, material and adjusted	No	No

 Areas requiring your attention

- Contents
- Introduction
- Executive summary
- Financial statements
- Audit risks overview
- Management override of controls
- Revenue (and Expenditure) recognition
- Property Plant & Equipment and Investment Property Valuation
- Pension Liability valuation
- Pension liability assumptions
- HTS pension costs and liability treatment
- Other matters
- Matters requiring additional consideration
- Audit differences
- Other reporting matters
- Use of resources
- Control environment
- Audit report
- Independence and fees
- Appendices contents

MANAGEMENT OVERRIDE OF CONTROLS

ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

Risk description

ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Work performed

We carried out the following planned audit procedures:

- Review and verification of journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals to identify unusual or potentially inappropriate journals. We used our IT team to assist with the journal extraction
- Review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias
- Review of unadjusted audit differences for indications of bias or deliberate misstatement Results

Results

Our audit work on journals has not identified any significant issues. We noted that the Council has a policy of a senior officer approving journals on a journal transfer paper and then the originating officer entering the journal onto the accounting system. We consider this increases the risk of incorrect Journals being posted to the accounting system. There was no indication of inappropriate journals being posted.

Our work on estimates has not identified any management bias indicating a risk of material misstatement.

We obtained an understanding for transactions outside the normal course of business for the Council such as land purchases and have not identified any indications of management override.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue (and Expenditure) recognition
Property Plant & Equipment and Investment Property Valuation
Pension Liability valuation
Pension liability assumptions
HTS pension costs and liability treatment
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

REVENUE (AND EXPENDITURE) RECOGNITION

Under auditing standards there is a presumption that income recognition presents a fraud risk.

Risk description

We consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES) and fees and charges.

In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 issued by the Financial Reporting Council. This states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. This risk is identified as being relevant to cut-off of expenditure, where testing will be focussed.

Work performed

We carried out the following planned audit procedures:

- Tested an increased sample of grants included in income to documentation from grant paying bodies and check whether recognition criteria had been met; and
- Tested an increased sample of fees and charges to ensure they have been recorded in the correct period and to ensure that all income that should have been recorded had been recognised.
- Tested an increased sample of expenditure either side of year end, to confirm that expenditure had been recorded in the correct period and that all expenditure that should have been recorded at year end had been.

Results

Our testing has not identified any issues with recognition of grants and fees and charges income within the CIES or the recording of expenditure.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue (and Expenditure) recognition
Property Plant & Equipment and Investment Property Valuation
Pension Liability valuation
Pension liability assumptions
HTS pension costs and liability treatment
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PROPERTY PLANT & EQUIPMENT AND INVESTMENT PROPERTY VALUATION

There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

Risk description

Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the current value or fair value (as applicable) at the balance sheet date. PPE values are subject to valuation changes and material judgemental inputs and estimation techniques.

The Code requires management to carry out a full valuation of its land and buildings on a periodic basis (at least every 5 years). In the intervening years, management is required to assess whether there has been a material change in the value of its assets that should be accounted for.

As part of the 5 year rolling re-valuation programme, approximately 20% of the land and buildings assets have been re-valued in 2018/19.

The Council uses an external valuer to perform the valuation assessment.

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewed the accuracy and completeness of asset information provided to the valuer such as rental agreements and sizes;
- Reviewed assumptions used by the valuer and movements against relevant indices for similar classes of assets and follow up valuation movements that appear unusual;
- Reviewed the basis for the approach to calculation of useful economic life for housing assets given the recent change in valuer and approach; and
- Confirmed that PPE not specifically revalued in the year had been assessed to ensure reported values remained materially accurate.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue (and Expenditure) recognition
Property Plant & Equipment and Investment Property Valuation
Pension Liability valuation
Pension liability assumptions
HTS pension costs and liability treatment
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PROPERTY PLANT & EQUIPMENT AND INVESTMENT PROPERTY VALUATION

There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Results

We reviewed the instructions to the valuer and their skills and expertise and confirmed that we can rely on them as management experts.

We confirmed that the basis of valuation for assets valued in year is appropriate based on their usage. We reviewed the accuracy and completeness of asset information provided to the valuer such as rental agreements and property sizes for DRC, fair value and existing use properties. We identified three properties where the floor areas were incorrect resulting in an understatement of value and one property where the value was incorrect as the valuer had not been advised of damage caused by vandalism. The net impact of these errors was trivial and therefore the accounts have not been adjusted.

Our review of investment property identified that the Council had capitalised license agreements with telecoms companies for the right to access communication equipment on Council property as investment property, however discussions with Council staff have confirmed that there is no separate asset and therefore these should not be classified as Investment property. The accounts have been amended for this error (£569,000).

We reviewed the assessment made by the Council of PPE not specifically revalued in the year and confirmed that their reported values remain materially accurate.

We identified that the Council's treatment of revaluation gains at 31 March has been incorrect for a number of years resulting in misstatements to the value taken to the CIES, revaluation reserve and capital adjustment account. The accounts have been amended for this error in 2018/19, but not for the 2017/18 error as it is not material. (2018/19 £416,000 amended 2017/18 £1.92 million not amended)

As part of our work on revaluation and reserves accounting we identified further issues in the accounting treatment applied by the Council. The errors identified in this area resulted in a prior period adjustment in relation to the incorrect accounting treatment of the Harlow Enterprise Zone land and buildings over a number of years being made to the accounts, together with associated additional disclosures. There remains a further difference of £1.1 million that the Council has been unable to explain and this has been reported as an unadjusted error. There is no impact on the General Fund as a result of this difference.

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue (and Expenditure) recognition
Property Plant & Equipment and Investment Property Valuation
Pension Liability valuation
Pension liability assumptions
HTS pension costs and liability treatment
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PROPERTY PLANT & EQUIPMENT AND INVESTMENT PROPERTY VALUATION

Continued

Significant accounting estimates - Land and building valuations

Overview

Land and buildings used by the Council for operational purposes are valued by reference to existing use market values.

HRA Dwellings are valued at open market value and then adjusted to reflect the discounted social rents charged to tenants. The adjustment reflects information provided by DCLG in 2016 for regional differences between market rents and social rents.

We have benchmarked the valuation movements to land and building price indices for the year produced by Gerald Eve LLP and reviewed the information and assumptions used by the valuers.

Discussion

Land and buildings have increased by £12.225 million in 2018/19. This is mainly due to an increase in valuations of £10.641 million which is 9%.

Our benchmark report for rebuild costs from the national BCIS Tender Price Index suggests an increase in value for depreciated replacement cost (DRC) valuations of +3.2% per annum, although this is subject to a higher degree of volatility and estimation from regional costs and other factors compared to the more localised information used by the valuer. Our work on this area included consideration of the specific local benchmarks, data used by the valuer and the length of time since the last valuation. As a result of the actual valuations being higher than our expectations based on the benchmark report we consider that the valuations are generous.

Our review of the assumptions used by valuer found that they were reasonable.

We concluded that the information used supported the increase in asset values reported.

Land and buildings have been valued using an appropriate basis of valuation (such as existing use, depreciated replacement cost or market value) depending on the use of the asset.

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Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue (and Expenditure) recognition
Property Plant & Equipment and Investment Property Valuation
Pension Liability valuation
Pension liability assumptions
HTS pension costs and liability treatment
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PENSION LIABILITY VALUATION

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

The net pension liability comprises the Council's share of the market value of assets held in the pension fund and the estimated future liability to pay pensions.

An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2016 triennial valuation exercise, updated at 31 March 2019 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

Work performed

We carried out the following planned audit procedures:

- Agree the disclosures to the information provided by the pension fund actuary;
- Review the competence of the management expert (actuary);
- Review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Review the controls for providing accurate membership data to the actuary;
- Contact the administering authority and request confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data; and
- Check that any significant changes in membership data have been communicated to the actuary.

Results

No issues have been noted from our work carried out in relation to the information provided to the actuary and we have received satisfactory assurances from the pension fund auditor. We have considered the assumptions used on the next page.

The Government have been refused leave to appeal the age discrimination case brought in relation to the New Judicial Pension scheme (known as the McCloud Judgement). Therefore the accounts have been amended to reflect the additional liability (£1.052 million).

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue (and Expenditure) recognition
Property Plant & Equipment and Investment Property Valuation
Pension Liability valuation
Pension liability assumptions
HTS pension costs and liability treatment
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PENSION LIABILITY ASSUMPTIONS

Continued

Significant accounting estimates

Pensions disclosures with the Council's accounts are based on a number of assumptions which are made by the Actuary as Managements Expert.

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows.

The Council's share of the LGPS net pension liability reduced by £10.9 million to £90.3 million in the year. This includes an increase in scheme assets of £11.1 million from interest and gains on investments and an increase in liabilities of £0.2 million.

We have compared the key financial and demographic assumptions used to an acceptable range provided by a consulting actuary (PwC) commissioned for local public auditors by the NAO.

The PwC consulting actuary review of the relative strength of the main assumptions suggests that the methodologies used will produce reasonable assumptions for all employers.

	Actual used	Acceptable range	Comments
Financials:			
- RPI increase	3.45%	3.40 - 3.45%	Reasonable
- CPI increase	2.45%	2.40 - 2.45%	Reasonable
- Salary increase	3.95%	3.10 - 4.35%	Reasonable (CPI +0% to 2020 and then CPI +1.5%)
- Pension increase	2.45%	2.40 - 2.45%	Reasonable
- Discount rate	2.4%	2.35- 2.45%	Reasonable
Mortality:			
- Male current	22.9 years	22.4 - 25.0	Reasonable
- Female current	25.4 years	25.0 - 26.6	Reasonable
- Male retired	21.3 years	20.6 - 23.4	Reasonable
- Female retired	23.6 years	23.2 - 24.8	Reasonable
Mortality gains	CMI 2018 (+1.25% improvement rate)		Reasonable

We note that the consulting actuary has stated that the assumptions used by Barnett Waddingham do tend to produce slightly lower LGPS liability calculations than the other actuaries, and the relative strength of assumptions compared to the average used by others could result in a liability being at 98.2% based on average of the assumptions used by all actuaries.

We consider that the assumptions and methodology used by the actuary are appropriate, and will result in an estimate of the net pension liability which falls within a reasonable range.

Impact

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Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue (and Expenditure) recognition
Property Plant & Equipment and Investment Property Valuation
Pension Liability valuation
Pension liability assumptions
HTS pension costs and liability treatment
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

HTS PENSION COSTS AND LIABILITY TREATMENT

A number of changes to the accounting treatment for HTS's Pensions costs and liability were made as a result of the prior year audit. It was recommended that the tripartite agreement was amended however this has not happened.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

HTS was consolidated into the Council's accounts for the first time in 2017/18. The Council have agreed with HTS that it will pay any employer contributions above 14.1% for transferred employees and 10.6% for ex Keir employees. In addition, the Council has guaranteed that any termination liability will remain the responsibility of the Council when HTS's participation in the LGPS scheme finishes. Upon review of the prior year draft accounts the previous auditors concluded that the approach taken was incorrect and requested a number of amendments to both the accounts and the tripartite agreement to reflect the pooling of the funds that is in place. The Accounts were amended and an unmodified true and fair opinion was given. However the Pension fund administrating body has declined to amend the tripartite agreement. Therefore there remains a risk that the accounting is not in line with the agreement or that the Council is inappropriately accounting for the costs and liabilities relating to HTS's share of the Pension fund costs and liability in its single entity accounts.

Work performed

We reviewed the arrangements in place and the Council's proposed accounting treatment to confirm that the accounting treatment is in line with the agreement and proper practices and that the Council's accounting for the costs of HTS in the single entity accounts is appropriate and materially accurate.

Results

We reviewed the arrangements in place for the accounting of the HTS pension liability and agreed with the Council's view that the current year and prior year accounts should be amended to remove HTS pension assets and liabilities from the Council's single entity accounts and only include them in the group accounts, this resulted in an adjustment of £32m to the Pensions Reserve in the Councils accounts in the current year and £33m in the prior year.

The Council initially treated the pension reserve of HTS (£13.2m) as an unusable reserve when as it is a pensions reserve within a company it is classified as part of the profit and loss reserves and therefore useable. This has now been amended within the group accounts.

The accounts have now been amended to reflect these changes, and we have reviewed all the accounting entries and related disclosures and are satisfied that the HTS costs are now appropriately treated.

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue (and Expenditure) recognition
Property Plant & Equipment and Investment Property Valuation
Pension Liability valuation
Pension liability assumptions
HTS pension costs and liability treatment
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Issue	Comment
Poor quality working papers	<p>We encountered a significant number of delays with the audit due to the poor quality of the working papers provided at the start of the audit. These issues included:</p> <ul style="list-style-type: none"> • Not being able to trace PPE values back to assets without going through a number of workbooks. This made it extremely challenging to choose samples for audit and resulted in having to ask the Council to re do working papers so it was clear how individual assets were consolidated into the accounts. Further work on this area then showed that some of the entries made were incorrect and resulted in audit adjustments. • The debtor and creditor listings including all transactions in the year, rather than just those transactions that make up the year end balances. • Netting off of transactions within Debtors and Creditors inappropriately resulting audit adjustments being required. • Supporting evidence provided wasn't always of a suitable standard, eg screen prints rather than invoices, and the payroll supporting information had the payroll numbers redacted in case they could be seen as personal information. • Identification of historic issues with PPE accounting resulting in incorrect entries being made to the PPE, EFA, Revaluation reserve and Capital Adjustment account
Quality of accounts	<p>We raised a number of queries on movements between the current year and prior year balances on the Balance Sheet and HRA. Investigation by the Council resulted in material adjustments being required to the draft accounts presented for audit and the supporting working papers to reflect the actual transactions that had taken place in the year.</p> <p>We also noted a number of omissions and internal inconsistencies within both the draft accounts initially presented for audit and the revised accounts.</p> <p>We would have expected these points to have been noted and resolved by internal quality checks, in particular the comparison of prior year accounts to current year draft to determine whether large movements are in line with expectations. Had these checks been performed our view is that the draft accounts authorised for issue and presented for audit would not likely have included so many material inaccuracies.</p>

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue (and Expenditure) recognition
Property Plant & Equipment and Investment Property Valuation
Pension Liability valuation
Pension liability assumptions
HTS pension costs and liability treatment
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue (and Expenditure) recognition
Property Plant & Equipment and Investment Property Valuation
Pension Liability valuation
Pension liability assumptions
HTS pension costs and liability treatment
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures carried out to date have not identified any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Plan on 13 March 2019.

Laws and regulations

We made enquiries of management regarding compliance with laws and regulations and review any correspondence with the relevant authorities.

We have not identified any non-compliance with laws and regulations that could have a material impact on the financial statements from our audit procedures to date.

Internal audit

We reviewed the audit work of the Council's internal audit function to assist our risk scoping at the planning stage.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We identified the following significant matters in connection to related parties:

- Councilors are not asked for declarations of interest at the end of each financial year. We would consider it to be best practice for this to be done to ensure that any potential related parties can be easily identified.

Group matters

Following review of the component auditors' reporting we were satisfied with the quality of their work and can confirm:

- There were no limitations on the audit where information was restricted
- We did not identify any fraud at a component level.



UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents



We are required to bring to your attention unadjusted differences and we request that you correct them.

We have identified and agreed nine unadjusted audit differences as a result of our work. These would increase the deficit on the provision of services and decrease net assets by £369,000 if adjusted.

The general fund balance would decrease by £369,000 if these audit differences were adjusted.

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Income and expenditure			Statement of Financial Position	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Unadjusted audit differences					
Deficit on the provision of services before unadjusted audit differences	25,006				
1: Additional claims information received relating to NNDR appeals provision calculation					
DR Collection fund Adjustment account				168	
CR Business rates appeals					(168)
2: Unsupported Revaluation reserve adjustment					
DR revaluation reserve				1,187	
CR Capital Adjustment Account					(1,187)
3: Extrapolated debtors error due to values included in Debtors not being a valid Debtor					
DR Income		233			
CR Debtors				(233)	
4: Incorrect treatment of intragroup balances on consolidation					
DR Creditors				126	
CR Debtors					(126)
Impact on provision on services carried forward		233			

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Income and expenditure			Statement of Financial Position	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Unadjusted audit differences					
Impact on provision on services brought forward	233				
5: Debtors more than 6 years old, irrecoverable under statute, not provided for in 2018/19					
DR Income		91			
CR Debtors					(91)
6: HRA Valuation - Unexplained difference between Working Paper and Accounts					
DR PPE - HRA valuation				57	
CR Revaluation reserve					(57)
7: Estimated decrease in value of PPE not revalued in the year.					
DR Revaluation reserve				401	
CR PPE Valuation					(401)
8: Property incorrectly classified as Investment property					
DR Other land and buildings				46	
CR Investment properties					(46)
Impact on provision on services carried forward	324				

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Income and expenditure			Statement of Financial Position	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Unadjusted audit differences					
Impact on provision on services brought forward	324				
9: Extrapolated error relating to repairs and maintenance costs being incorrectly recorded as PPE additions					
DR Repairs and Maintenance		45			
CR PPE Additions					(45)
Total adjustment to deficit on provision of services	369				
Deficit on the provision of services if above issues adjusted	25,498				

	General Fund	
Impact on the General Fund balance and HRA balance	balance £'000	HRA balance £'000
Balance before unadjusted audit differences	4,488	13,731
Impact on deficit on the provision of services above	(369)	0
Adjustments that would be reversed from the General Fund and HRA balance through the Movement in Reserves Statement	0	0
Balances after the above adjustments	4,119	13,731

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the Prior year

	Income and expenditure			Statement of Financial Position	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Unadjusted audit differences					
1: Correction of impairment reversal incorrectly posted to Revaluation reserve and not CIES					
DR Revaluation reserve				1,916	
CR CIES Reserves					(1,916)

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

UNADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Audit and Standards Committee is required to consider.

The following unadjusted disclosure matters were noted:

- The Depreciation and impairments loss charge in note 6 does not agree to the reversed charge for depreciation and impairment in the Capital Adjustment Account disclosure.
- The figure for the 'reversal of revaluation losses included in the surplus of deficit on the provision of services in relation to capital expenditure' does not agree to adjustment in the Capital Adjustment Account by £1.317 million in 2018/19 and £1.277 million in 2017/18
- Amount for the 'surplus or deficit on the provision of services' in the MIRS does not agree to the Comprehensive Income and Expenditure Statement and HRA Income and Expenditure Statement by £109,000 in 2018/19 and £136,000 in 2017/18.
- There are also a number of trivial variances between difference areas of the accounts in both years that would be expected to agree in a well prepared set of financial statements.

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents



There are 13 in year audit differences identified by our audit work that were adjusted by management. This decreased the draft deficit on the provision of services by £1.319 million and decreased net assets by £401,000. There was no impact on the general fund balance as the impact of the adjustment were removed via the adjustments between accounting basis and Funding basis under regulation in the movement in reserves statement.

In addition management also identified that they wished to move £1.7 million from the general fund to earmarked reserves as part of their year end financial management process, however this was not included in the reserves note prior to the authorisation of the accounts for issue.

Six errors relating to the prior year have also been identified during the course of the audit and have been adjusted. Four of these are material and in line with the requirements of ISA 710 we request that the Committee reports these to the predecessor auditors. The remaining two are immaterial but when combined with the unadjusted error on page 23 would have exceeded materiality and therefore the Council chose to adjust two so the unadjusted errors would not be exceed our materiality level.

ADJUSTED AUDIT DIFFERENCES: CURRENT YEAR

Details for the current year

	Income and expenditure			Statement of Financial Position	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Adjusted audit differences					
Deficit on the provision of services before adjustments	24,225				
1:Grossing up errors between Debtors and Creditors					
DR Creditors				3,109	
CR Debtors					(3,109)
2:Pension - McCloud adjustment					
DR Cost of Services		1,052			
CR Pensions Liability					(1,052)
3: Movement to Earmarked reserves					
DR General Fund reserves				1,700	
CR Earmarked reserves					(1,700)
4: Group Accounts HTS pension reserve incorrectly classified as an unusable reserve					
DR Useable reserves				13,174	
CR Unusable reserve					(13,174)
Adjusted audit differences carried forward		1,052			

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ADJUSTED AUDIT DIFFERENCES: CURRENT YEAR

Details for the current year

	Income and expenditure			Statement of Financial Position	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Adjusted audit differences					
Adjusted audit differences brought forward		1,502			
5: Misclassification of Grants received in advance as Creditors					
DR Creditors				981	
CR Grants received in advance					981
6: Misclassification of expenditure within the HRA					
DR Supervision and Management		5,818			
CR Loss on sale of HRA assets			(5,818)		
7: Correction of impairment reversal incorrectly posted to Revaluation reserve and not CIES					
DR Revaluation reserve				416	
CR Impairments charged to Cost of Service			(416)		
8: Reversing revaluation increase incorrectly recognised on Asset Under Construction					
DR: Revaluation increase				875	
CR: Assets under construction					(875)
9: Reclassification of impairments losses incorrectly charged to CIES					
DR: Revaluation reserve				937	
CR: Impairments charged to Cost of Service			(937)		
Adjusted audit differences carried forward		7,320	(7,171)		

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ADJUSTED AUDIT DIFFERENCES: CURRENT YEAR

Details for the current year

	Income and expenditure			Statement of Financial Position	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Adjusted audit differences					
Adjusted audit differences brought forward		7,320	(7,171)		
10 Correction of Building misclassification					
DR: Other land and buildings				130	
CR: Assets under Construction					(130)
11: Amending incorrect accounting treatment for receipts in advance					
DR Creditors				2,526	
CR Debtors					(2,526)
12: Reversing incorrect Enterprise Zone land entry					
DR: Surplus on revaluation				10,684	
DR: MIRS: Other Comprehensive income and expenditure				10,684	
CR: PPE Other land and Buildings					(10,684)
CR: Capital adjustment account					(10,864)
Adjusted audit differences carried forward		7,320	(7,171)		

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: details
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ADJUSTED AUDIT DIFFERENCES: CURRENT YEAR

Details for the current year

	Income and expenditure			Statement of Financial Position	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Adjusted audit differences					
Adjusted audit differences brought forward		7,320	(7,171)		
13: Updated IAS19 figures for the removal of HTS pension entries and addition of Kier Harlow/ Rainbow pension entries					
A: Adjusting interest costs and admin expenses on pensions following receipt of revised IAS19 report					
DR Pensions Reserve				214	
CR Interest Costs (Pensions - CIES)			(230)		
DR Administration Expenses (Pensions)		16			
B: Adjusting interest costs and admin expenses on pensions following receipt of revised IAS19 report					
DR MIRS -OCI (Actuarial gains/losses)				2,849	
CR Pensions reserve					2,849
C: Removal of HTS Liability and assumption of Kier/ Rainbow Liability					
DR Pensions Liability HTS				32,998	
CR Pensions Liability Kier/ Rainbow					(31,555)
CR: Pensions reserve				1,443	
D: Removal of HTS plan assets and recognition of Kier/ Rainbow Liability					
DR Pensions Liability - Kier / Rainbow				43,654	
DR Pensions reserve				(947)	
CR Pensions Liability - HTS					(44,601)
Adjusted audit differences	(65)	7,336	(7,401)		

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ADJUSTED AUDIT DIFFERENCES: PRIOR YEAR

Details for the prior year

Adjusted audit differences	Income and expenditure			Statement of Financial Position	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
1: Grossing up Errors between Debtors and Creditors where items relating to 2018/19 were included in the 2017/18 accounts					
DR Creditors (payments received in advance)				2,721	
CR Debtors					(2,019)
CR Grants received in advance					(702)
2: HTS Pensions adjustment					
DR Pensions reserve				31,988	
CR CIES			(1,663)		
CR Pension Liability					(30,325)
3: Correction of Impairment losses not posted to CIES					
DR revaluation reserve				1,036	
CR CIES reserves					(1,036)
4: Phone mast licenses incorrectly recognised as investment properties					
DR Capital adjustment account				567	
CR Investment Properties					(567)

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: details
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ADJUSTED AUDIT DIFFERENCES: PRIOR YEAR

Details for the prior year

	Income and expenditure			Statement of Financial Position	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Adjusted audit differences					
5: Impact of EZ land being incorrectly accounted for in prior years					
DR: PPE - Other land and buildings				11,897	
CR: Revaluation reserve					(1,632)
CR Capital adjustment account					(10,187)
DR CIES -Disposal		322			
CR MIRS - OCI					(400)
6: Impact of Keir Harlow/ Rainbow Pensions being incorrectly treated by Actuary					
Dr Pensions Liability - Plan assets				40,359	
CR Pension Liability - Obligations					(31,323)
Cr Pension Reserve					(9,036)
Adjusted audit differences	(1,341)	322	(1,663)		
Revised deficit on provision of services	30,878				

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Audit and Standards Committee is required to consider.

The following adjusted disclosure matters have been noted:

- The Pension reserve for HTS was incorrectly treated as an unusable reserve when the guidance states that pension reserves in companies form part of their Profit and Loss reserve which should be treated as usable (£13.173m note G6)
- A number of incomplete accounting notes in the initial set of accounts provided for audit, including notes to the group accounts and related party transactions.
- The EFA provided for audit did not agree to the supporting working papers and other entries in the accounts
- Amendments made to the accounts following initial audit queries were not always followed through to the relevant notes.

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted disclosure omissions and improvements
Adjusted audit differences: summary
Adjusted audit differences: Current year
Adjusted audit differences: Prior year
Adjusted disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

REPORTING ON OTHER INFORMATION

- Contents
- Introduction
- Executive summary
- Financial statements
- Audit differences
- Other reporting matters**
- Reporting on other information
- Whole of Government Accounts
- Use of resources
- Control environment
- Audit report
- Independence and fees
- Appendices contents

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	<p>We have no matters to report in relation to the consistency of the Narrative report with the financial statements and our knowledge.</p> <p>We asked the Council to update the Events After the Balance Sheet Date note to reflect the outbreak of Covid-19 in the UK and the associated potential impacts on the Council.</p>
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council’s review of effectiveness and our knowledge of the Council.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.

WHOLE OF GOVERNMENT ACCOUNTS

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Reporting on other information
Whole of Government Accounts
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Matter	Comment
Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure. The Council falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.	<p>Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 28 June 2019. The Council met this deadline.</p> <p>Due to the delays in completing the Council's audit we are no longer required to submit an assurance statement as the Whole of Government accounts for 2018/19 have already been laid before Parliament.</p>

OVERVIEW

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Overview
Control environment
Audit report
Independence and fees
Appendices contents

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

As noted in our Audit Plan we did not identify any significant risks relating to Use of Resources. We have carried out a risk update and have not changes to make to our use of resources assessment for 2018-19.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

SIGNIFICANT DEFICIENCIES

- Contents
- Introduction
- Executive summary
- Financial statements
- Audit differences
- Other reporting matters
- Use of resources
- Control environment**
- Significant deficiencies
- Other deficiencies
- Audit report
- Independence and fees
- Appendices contents

Significant Deficiencies

Area	Observation & implication	Recommendation	Management response
Preparation of financial statements	Our initial review of the draft financial statements identified a significant number of issues, both in relation to compliance with the code, casting and reconciliations to working papers.	<p>We recommend management introduce a number of measures, whereby:</p> <ul style="list-style-type: none"> • The accounts are reviewed compared to prior year and expectations based on known movements and any unexpected variances are reviewed and confirmed. This review should be evidenced including the resolution to any queries raised. • All working papers are reconciled to the draft financial statements. • The accounts are reviewed for internal consistency between the main statements and notes and within relevant notes. 	This will be carried out for the 2019/20 audit.
Quality of working papers	Our review and testing of working papers has identified a significant number of errors including figures not agreeing to the draft statements or appropriate evidence not being provided.	We recommend a review of all working papers is completed before provided for audit.	This will be carried out for the 2019/20 audit.
PPE accounting	Our review and testing of the accounting entries related to PPE and the associated reserve accounting has identified a number of errors in the approach undertaken by the council and that manual adjustments were made to the PPE entries which were not made to the PPE accounting system. In addition these adjustments were not all compliant with the CIPFA Code of Practice.	We recommend that the Council ensures all adjustments are made to the PPE accounting system to ensure that the accounts and system agree. All entries made to the accounts should be in line with the requirements of the CIPFA Code of Practice	A review of the entries made on the system and working papers by a senior officer with a good understanding of the Code requirements will be carried out. Training and support will be provided to the officers responsible for this area of closure.

OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Sales invoicing	When a new debtor is set up there are no checked that the person authorising the form has the appropriate authority.	A check should be put in place to confirm that the staff member authorising the set up of a new debtor has the authority to do so.	The sales invoicing process will be reviewed to determine if an authorisation step can be introduced.
Journals authorisation	Journals are created by the originating officer and then approved by a senior officer on a journal transfer paper. The originating officer then enters the journal onto Agresso. This means that there is no check when the journal is entered on to the system and unauthorised journals could potentially be posted.	Journals should be authorised once entered onto Agresso to ensure that they have been correctly entered.	The Journals process will be reviewed to determine if an authorisation step can be introduced.
Evidence of review of council tax and NNDR reconciliations	A reconciliation is carried out of council tax and NNDR from Civica (Billing system), to PARIS, which relates to cash receipts and the general ledger (Agresso). The reconciliation is then reviewed by the senior service accountant. There is no evidence of this review retained	The preparer and reviewer should both sign the reconciliation as evidence of the work performed.	Agreed and has been implemented.
Related party transactions	The Council does not currently obtain updated declarations of interest at the end of each year from members, this means that the information used to comply the related party transaction notes in the accounts may be incomplete or out of date.	The Council should obtain updated declarations of interest at the end of every financial year from all Members & Officers and obtain declaration of interests from members when they resign. This will ensure there are no undisclosed related parties and that the disclosure is complete in nature.	An annual request for information will be made in accordance with the Code. If this hasn't been done for 19/20 we'll review if this can be done, but if not it will definitely take place for the 20/21 accounts.

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Significant deficiencies
Other deficiencies
Audit report
Independence and fees
Appendices contents

OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Debtors	There are no formal procedures for monitoring outstanding sundry debtors. The aged debtor reports are reviewed on an Ad hoc basis and the provision for bad debts has not been prepared in line with IFRS 9 requirements.	Sundry debtors should be reviewed regular basis and the provision for bad debts should be prepared in line with IFRS 9 requirements where applicable.	A finance review is currently underway and the recommendation will be considered as part of that work.
Reserves	The Council should undertake a review of reserves as currently they hold a number of earmarked reserves that are either very large compared to the potential spend or have similar objectives/ descriptions.	A full review of Earmarked reserves should be undertaken to ensure that those held are appropriate.	Reserves, their purpose and adequacy are reviewed each year alongside the preparation of the Medium Term Financial Strategy and Budget setting process. The S151 Officer is content with this process and the comments made will be considered as part of the next annual review due in the Q3 2021/22
Updating IT systems for leavers	We noted that leavers from the Council are not always disabled from Agresso and other council systems in a timely manner.	Redundant accounts and rights should be identified and revoked in a timely manner	There was a process in place whereby for leavers the Systems Team Leader would be notified by HR when someone left. This appears to have fallen down over the last year or so but we will ask for the notifications to be reinstated. The Systems Team Leader assures me that he does routinely check on user access. He has stated that only last week he deleted several users who still work for the Council but have not logged in for a while. He was surprised that there were two users still active that had left the council. Your recommendation will be fully implemented with immediate effect

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Significant deficiencies
Other deficiencies
Audit report
Independence and fees
Appendices contents

OVERVIEW

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Overview
Independence and fees
Appendices contents

Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

There are no matters that we wish to draw attention to by way of 'emphasis of matter'.

Conclusion on use of resources

We anticipate issuing an unmodified use of resources conclusion.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Group's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Other information

We have not identified any uncorrected material misstatements that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

INDEPENDENCE

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Independence
Fees
Appendices contents

Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC’s Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2019.

Details of services, other than audit, provided by us to the Group during the period and up to the date of this report are set out in the appendices and were provided in our Audit Plan. We understand that the provision of these services was approved by the Audit and Standards Committee in advance in accordance with the Group’s policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council and the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

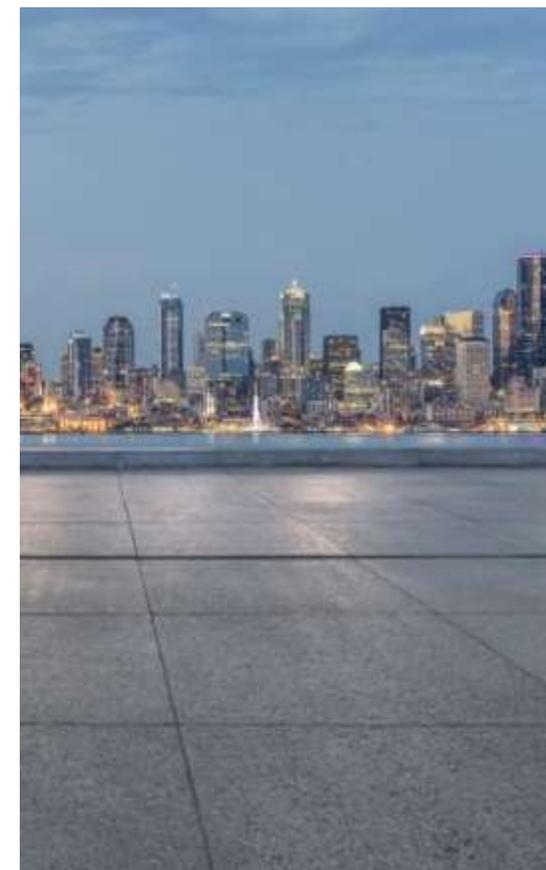
Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
170 Independence and fees
Independence
Fees
Appendices contents

Fees summary	2018/19	2018/19	2017/18
	Actual	Planned	Actual
	£	£	£
Audit fee			
• Code audit fee: Council financial statements and use of resources	TBC	£59,686	£77,514
• Estimated additional fee for Group accounts and other issues	TBC	£2,500	£26,500
Non-audit assurance services		£62,186	104,014
Fees for reporting on government grants:			
• Housing benefits subsidy claim	⁽¹⁾ £30,185	£16,825	£18,695
• Pooling of housing capital receipts return	£3,000	£3,000	£5,000
Total fees		£82,011	£127,709

Additional fees

Due to the additional work required as a result of receiving poor quality draft accounts and working papers for audit, the number of issues identified with the valuation of PPE, the specific complex technical issue relating to treatment of HTS pension liability in relation to the group accounts and the substantial amount of additional Manager and Partner time required to address the audit risk profile of the Council there will be an additional fee required. This will be discussed in the first instance with management and then with the Audit and Standards Committee after the completion of the audit.

⁽¹⁾ Additional fee of £13,360 agreed in line with our fee quote for additional testing as a result of errors found.



APPENDICES CONTENTS

Contents
Appendices contents
Our responsibilities
Outstanding matters
Audit report
Audit quality
Letter of representation

A	Our responsibilities	43
	Responsibilities and reporting	43
	Additional matters we are required to report	44
	Communication and reports issued	45
B	Outstanding matters	46
C	Audit report	47
D	Audit quality	51
E	Letter of representation	52

RESPONSIBILITIES AND REPORTING

Responsibilities and reporting

Contents
Appendices contents
Our responsibilities
Outstanding matters
Audit report
Audit quality
Letter of representation

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidation Group and Council financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the ‘other information’ contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Group has not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Audit and Standards Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

	Issue	Comments
1	Significant difficulties encountered during the audit.	We have encountered a number of difficulties during the audit. See other matters page for further details.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	We noted that the Council does not request updated declarations of interest at the end of each financial year or on resignation, a recommendation has been made in relation to this.

Contents

Appendices contents

Our responsibilities

Additional matters we are required to report

Communication and reports issued

Outstanding matters

Audit report

Audit quality

Letter of representation

COMMUNICATION AND REPORTS ISSUED

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Outstanding matters
Audit report
Audit quality
Letter of representation

Those Charged with Governance (TCWG)

References in this report to those charged with governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Standards Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

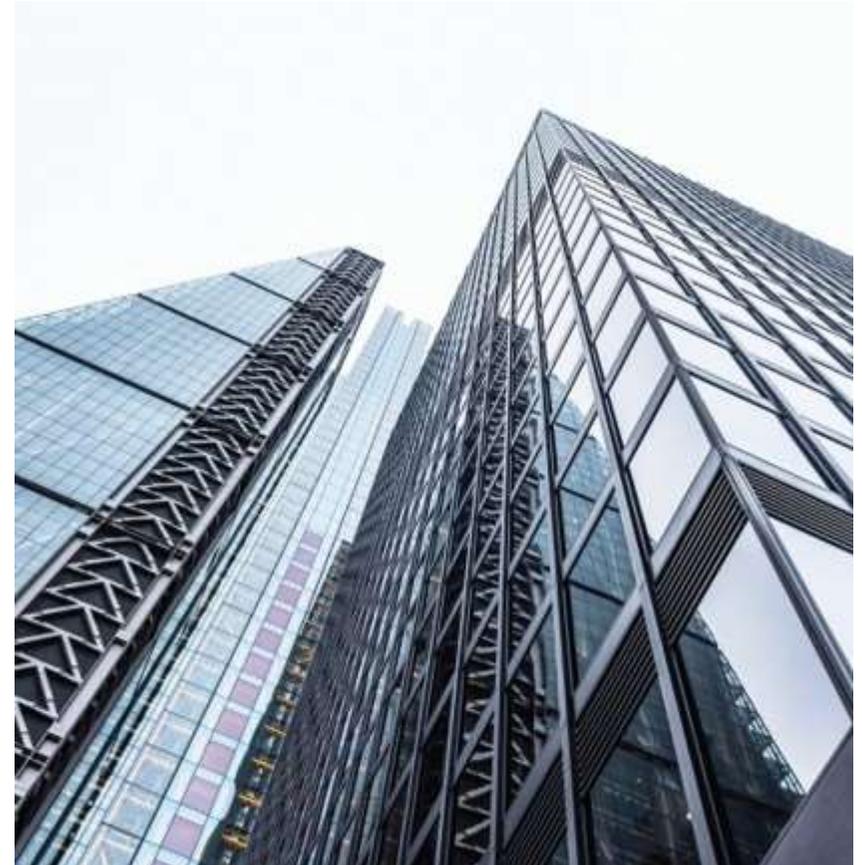
Communication	Date (to be) communicated	To whom
Audit Plan	13 March 2019	Audit and Standards Committee
Audit Progress Report	11 September 2019	Audit and Standards Committee
Draft Audit Completion Report	25 November 2020	Audit and Standards Committee
Final Audit Completion Report	16 June 2021	Audit and Standards Committee
Annual Audit Letter	TBC	Audit and Standards Committee

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2019.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit and Standards Committee meeting at which this report is considered:

- Management letter of Representation to be completed and signed
- Final review and approval by you of the statement of accounts
- Subsequent events review to the date of signing including review of the Council's consideration of the impact of Covid-19 on Income, Expenditure, Cash Flow, Reserves and related disclosures in the accounts



AUDIT REPORT

Contents
Appendices contents
Our responsibilities
Outstanding matters
<u>Audit report</u>
Audit quality
Letter of representation

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARLOW DISTRICT COUNCIL

Opinion on the financial statements

We have audited the financial statements of Harlow District Council (“the Council”) and its subsidiaries (“the group”) for the year ended 31 March 2019 which comprise the *Council and group Movement in Reserves Statements, the Council and group Comprehensive Income and Expenditure Statement, the Council and group Balance Sheets, the Council and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement* and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 (“Code of Audit Practice”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Council and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the Head of Finance/ Deputy to the Managing Director use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the Head of Finance/ Deputy to the Managing Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

AUDIT REPORT 2

Continued

Contents
Appendices contents
Our responsibilities
Outstanding matters
Audit report
Audit quality
Letter of representation

183

Other information

The Head of Finance/ Deputy to the Managing Director is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Matters on which we are required to report by exception

- We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:
- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;

AUDIT REPORT 3

Continued

Contents
Appendices contents
Our responsibilities
Outstanding matters
Audit report
Audit quality
Letter of representation

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Responsibilities of the Head of Finance/ Deputy to the Managing Director and the Council

As explained more fully in the Statement of the Head of Finance/ Deputy to the Managing Director Responsibilities, the Head of Finance/ Deputy to the Managing Director is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Head of Finance/ Deputy to the Managing Director is responsible for assessing the Council's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations of the Council or group or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

AUDIT REPORT 4

Continued

Contents
Appendices contents
Our responsibilities
Outstanding matters
Audit report
Audit quality
Letter of representation

185

Certificate of completion of the audit

We certify that we have completed the audit of the accounts of Harlow District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Harlow District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Lisa Blake

For and on behalf of BDO LLP, Appointed Auditor

Ipswich, UK

[Insert date]

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AUDIT QUALITY

Contents
Appendices contents
Our responsibilities
Outstanding matters
Audit report
Audit quality
Letter of representation



BDO is totally committed to audit quality

It is a standing item on the agenda of BDO’s Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream’s objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council’s Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

Dear Madams / Sirs

Financial statements of Harlow District Council for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of the Group and the Council’ financial statements for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council and other Group entities.

The Head of Finance has fulfilled his responsibilities for the preparation and presentation of the Group and the Council financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the Council as of 31 March 2019 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council’s financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Council have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Group and the Council’s ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Group and the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Group and the Council’s ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Council’s business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Contents
Appendices contents
Our responsibilities
Outstanding matters
Audit report
Audit quality
Letter of representation

Contents
Appendices contents
Our responsibilities
Outstanding matters
Audit report
Audit quality
Letter of representation
Representative letter 2
Representative letter 3

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 33 to the financial statements, there were no loans, transactions or arrangements between any Group entity and Council members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated Group and Council financial statements.

Accounting estimates

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 2.45%
- Rate of increase in salaries: 3.95%
- Rate of increase in pensions: 2.45%
- Rate of discounting scheme liabilities: 2.4%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

Contents
Appendices contents
Our responsibilities
Outstanding matters
Audit report
Audit quality
Letter of representation
Representative letter 2
Representative letter 3

b) Valuation of Council Dwellings, other land and buildings and investment properties

We are satisfied that the useful economic lives of the council dwellings, other land and buildings, and their constituent components, used in the valuation of the council dwellings and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

We are satisfied that investment properties have been appropriately assessed as Level 2 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for non-domestic rates, housing rent and sundry debt arrears are reasonable, based on collection rate data.

d) Non domestic rates appeals provision

We are satisfied that the provision recognised for non-domestic rates appeals is materially correct, and the calculation of historical appeals are consistent with those advised to me by the Valuation Office Agency. We confirm that the successful rates applied to outstanding appeals as at 31 March 2019 are consistent with our knowledge of the business.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Simon Freeman
Head of Finance
[date]

Eddie Johnson
Chair of the Audit and Standards Committee
[date]

FOR MORE INFORMATION:**Lisa Blake**

t: 01473 320716

m: 07791 397160

e: lisa.Blake@bdo.co.uk**Francesca Palmer**

t: 01473 320739

m: 07970 126254

e: Francesca.palmer@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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5. Whilst there is no statutory obligation for a local authority to establish an Audit Committee, they are widely recognised internationally across the public and private sectors as a key component of effective governance. Similarly, it is considered good practice for the Committee to report annually to the Council on its work.
6. The key benefits of an effective Audit Committee are to:
 - a) Increase awareness regarding the effectiveness and continued development of the Council's governance arrangements;
 - b) Provide additional assurance on the robustness of the Council's governance arrangements through a process of independent and objective review;
 - c) Reduce the risks of illegal or improper acts;
 - d) Increase public confidence in the objectivity and fairness of financial and other reporting;
 - e) Contribute to performance improvements in assurance levels and awareness of the need for strong internal control including the implementation of audit recommendations; and
 - f) Reinforce the importance and independence of internal and external audit and similar review processes.

Assurance Activity 2020/21

7. To help the Committee draw conclusions about the effectiveness of the Council's internal control framework, governance and risk management it gained assurances from the following sources:

Internal Audit

8. The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective Internal Audit function which is discharged by the Deputy to the Chief Executive and Head of Finance and Property Services as Section 151 Officer. Internal Audit is a key source of independent assurance for both Members and management on the effectiveness of the control framework. The Committee has a responsibility for ensuring that Internal Audit is effective in the provision of this assurance.
9. The Committee considered and agreed reports regarding the Internal Audit Strategy, Internal Audit Charter and Annual Plan 2020/21, with the annual plan being revised in June 2020 to take into account a change in the Council's risk profile due to Covid-19. It has also monitored progress made by management in implementing audit recommendations and received regular progress reports on

the work and performance of Internal Audit. These reports have helped in ensuring that reported weaknesses have either been addressed or the identified risks adequately mitigated by management and that there is an effective system of governance, risk management and internal control in place.

Assurance Framework / Annual Governance Statement

10. The Committee's terms of reference include advising on the effectiveness of the Council's internal controls and assurance framework including the production of the Annual Governance Statement.
11. During the year, the Committee has received reports on the control framework and how the annual review and assurance process is undertaken. Members are provided with progress made on the issues raised in respect of the Annual Governance Statement and of the annual service assurance process. The Assurance Framework is compiled from various sources of assurance, for instance Heads of Service and other key officers.
12. The Internal Audit Manager provides an annual report and opinion regarding the Council's control, governance and risk management framework. This opinion is considered by the Committee alongside other sources of assurance.
13. The Committee reviewed the Annual Governance Statement (AGS) for 2019/20 which identified governance issues requiring further ongoing improvement or monitoring relating to:
 - a) Risk management and lessons learnt from Covid-19
 - b) Financial resilience
 - c) New ways of working in light of Covid-19
 - d) Ensuring the health and safety of staff, partners and the public in the way that the Council delivers its services
14. The assurance framework remained unchanged during 2020/21. The Council's Code of Corporate Governance was reviewed by the Committee in August 2020 ensuring it remained compliant with the CIPFA/SOLACE framework – Delivering Good Governance in Local Government. Only minor changes were proposed (and agreed) to reflect the impact of Covid-19 on the Council's Code.
15. The Committee was able to be satisfied that there is a robust assurance framework in place to safeguard the Council's resources through reliance on the annual review of the Council's system of internal control and the Internal Audit Manager's annual opinion.

Anti-Fraud and Corruption

16. Countering fraud and corruption is the responsibility of every Member and officer of the Council. The Committee's role in this area has been to monitor and support the actions taken by officers to counter fraud including the work of the Corporate Fraud Group.
17. The Committee receives reports and presentations on such work undertaken in the Council and proactive fraud work, for example participation in the National Fraud Initiative (NFI), the work of the Housing Fraud Officer and new for 2020/21 fraud and assurance work regarding Covid-19 business grants.
18. The Council continues to send out a strong message that fraud will not be tolerated and that where fraud is proven the strongest possible actions of redress will be taken.
19. Based on the work to date, coupled with no major incidences of fraud and corruption being highlighted by management or Internal Audit, the Committee concludes that there is a sound anti-fraud framework in place. The Council's Anti-Fraud and Corruption Strategy was reviewed and approved by the Committee in August 2020.

Risk Management

20. The Committee receives and discusses reports relating to risk management. Work continues to enhance monitoring and reporting mechanisms to ensure there is adequate scrutiny and challenge of risk across the Council and aligning this with the service planning process. Committee members are routinely presented with the corporate strategic risk register with a rolling review of individual risks contained within it.
21. At its March 2020 meeting the Committee approved the revised risk strategy and agreed the Council's risk appetite and the introduction of risk appetite thresholds to improve transparency.

Statement of Accounts and External Auditors

22. Since 2018 the Audit and Standards Committee has held delegated authority to approve the Annual Governance Statement and the Annual Statement of Accounts. In addition, the Chair of the Audit and Standards Committee, rather than the Leader of the Council, has the authority to sign both of these key documents off.
23. The Committee has been kept abreast during the year on outstanding issues regarding the 2018/19 Accounts, seeking explanations for the delay from both the External Auditors (BDO) and the Council's Section 151 Officer. At the November 2020 meeting the Committee approved the latest Statement of Accounts presented to them and delegated final sign off of the accounts to the

Deputy to the Chief Executive and Head of Finance and Property Services in consultation with the Chair of the Committee. The 2018/19 accounts are now reported elsewhere on the agenda for the Committee's approval and sign off by the Chair.

24. Also at the November meeting, the Committee agreed the External Auditor's audit plan for the 2019/20 accounts. The aim is for the 2019/20 accounts to be reported to the Committee in November 2021.
25. During the year the Committee received a number of reports from the External Auditors, BDO, who attend most meetings. These reports included the draft Audit Results Report 2018/19. When reviewing the reports the Committee considered audit risks highlighted by the External Auditors.

Committee Working Arrangements

26. The Committee has a rolling and flexible programme of work for its main areas of activity which is proactively reviewed and amended throughout the year to reflect changes in policies, priorities and risks. The Committee met four times in 2020/21. Due to the pandemic, these were held virtually, which members of the public had access to. The Committee considered items which are presented annually, such as audit results, the statement of accounts, the annual governance statement, and audit plans; as well as a number of other items including a review of the Audit and Standards Committee's terms of reference.
27. Prior to Covid-19 training sessions or briefings were held before most Committee meetings and these are now planned to recommence in 2021/22. The agreed work programme enables the Committee to provide an independent assurance to the Council as to the adequacy of the risk management framework and the associated control environment.
28. In August 2020 the Committee undertook its own effectiveness review and reviewed its Terms of Reference, the results of which concluded its Terms of Reference remained fit for purpose and the Council was able to demonstrate compliance with recommended best practice for an effective Audit Committee.
29. Members of the Committee have a wide range of both experience and professional knowledge. The Committee has the benefit of being well supported by Council Officers. This included the Deputy to the Chief Executive and Head of Finance and Property Services, who is also the Section 151 Officer, the Council's Monitoring Officer (Head of Governance), and the Internal Audit Manager as well as the Council's External Auditors.
30. The Committee has previously agreed to the appointment of an independent member to the Committee. A recruitment process was initiated in January 2020 and interviews set up for the three applications received which were postponed due to Covid-19. The interviews finally took place via Zoom at the beginning of

October 2020 involving: Cllr Mullard, Cllr Clark and Cllr Carter supported by the Deputy to the Chief Executive and Head of Finance and Property Services and the Internal Audit Manager. An appointment was not made on this occasion as the shortlisted candidates failed to meet sufficiently the criteria set out within the person specification. The recruitment process was restarted in May 2021 which it is hoped will lead to the appointment of an independent member of the committee later in 2021.

31. No major breakdowns in internal control, governance and risk management that may have led to a significant loss in one form or another have been recorded or reported. Nor has any major weakness in the governance systems that has exposed, or continues to expose, the Council to an unacceptable level of risk. This includes the period to the end of March 2021 during which the government has introduced several full scale lock down of the country due to Covid-19.
32. The purpose, strategy and work programme of the Committee helps mitigate against any major failure by the Council to obtain independent assurance in relation to the governance processes underpinning:
 - a) An effective risk management framework and internal control environment including audit;
 - b) The effectiveness of financial and non financial performance (to the extent that it affects exposure to risk and poor internal control); and
 - c) The compilation and consideration of the Annual Governance Statement.

CONCLUSION

33. Through its work, the Committee has provided additional assurance in relation to the robustness of the Council's arrangements regarding corporate governance, risk management and internal controls.
34. The Committee has added value through its activity and in particular:
 - a) It has continued to increase the importance placed upon governance issues, particularly risk management, anti-fraud and corruption and the assurances sought that key risks are being mitigated; and
 - b) It has continued to raise the profile of internal control issues across the Council and to seek to ensure that audit recommendations are implemented.
35. The Committee's remit is achieved firstly through it being appropriately constituted, and secondly by the Committee being effective in ensuring internal accountability, the delivery of Audit and a robust assurance framework. The

Committee has received and challenged reports from management and both internal and external audit.

36. The Committee has continued to have a real and positive contribution to the governance arrangements of the Council. The Committee's key achievement is through the provision of additional assurance relating to the robustness of the Council's arrangements regarding corporate governance, risk management and the control environment.

IMPLICATIONS

Environment and Planning (includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (includes ICT)

There are no financial implications and no direct risk management implications arising from the recommendations.

Author: Simon Freeman, Head of Finance and Property and Deputy to the Chief Executive

Housing

None specific.

Author: Andrew Murray, Head of Housing

Community Wellbeing (includes Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (includes HR)

There is no legal or constitutional requirement for the Committee to report to the Council on its work, however, it is considered good practice to do so.

The effective operation of the Audit and Standards Committee forms a key element of the Council's assurance framework. By fulfilling its responsibilities as detailed in its annual report the Audit Committee helps the Council to maintain a high standard of corporate governance.

Audit Committees in local authorities are necessary to satisfy the wider requirements for sound financial management, internal controls and risk as set out in the Accounts and Audit (England) Regulations 2015.

Author: Simon Hill, Head of Governance

Background papers

Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition)

Appendices

None

Glossary/abbreviations used:

AGS – Annual Governance Statement

CIPFA – Chartered Institute of Public Finance and Accountancy

NFI – National Fraud Initiative

SOLACE – The Society of Local Authority Chief Executives

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **16 JUNE 2021**

TITLE: **INTERNAL AUDIT ANNUAL REPORT
2020/21**

LEAD OFFICER: **SARAH MARSH, INTERNAL AUDIT
MANAGER (01279) 446884**

RECOMMENDED that:

The Internal Audit Annual report and the Internal Audit Manager's opinion be noted and is considered in conjunction with the Annual Governance Statement 2020/21.

BACKGROUND

1. This document summarises the results of internal audit work during 2020/21 and, as required by the Accounts and Audit (England) Regulations 2015, gives an overall opinion of the Council's governance, risk management and control framework.
2. 2020/21 was an exceptional year as the Covid-19 pandemic was prevalent throughout the financial year. This led to the Audit and Standards Committee agreeing to a reduced Internal Audit programme of works at their June 2020 meeting. However, it is the Internal Audit Manager's opinion that sufficient work has been undertaken and sufficient assurances obtained to support their annual opinion, both through its formal assurance audits and advisory work.
3. The Internal Audit Manager is required to provide the Council and the Chief Executive with a statement on the adequacy and effectiveness of the Council's risk management, control and governance processes.
4. In giving an opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the organisation is a reasonable assurance there are no major weaknesses in the Council's risk management, control and governance processes.
5. In assessing the level of assurance to be given, the Internal Audit Manager has taken into account:
 - a) All reviews completed during the year.
 - b) Any follow up actions taken in respect of audits from previous periods.
 - c) High priority recommendations not accepted by management or acted upon and any associated risks (there were none).
 - d) The effect of any significant changes in the Council's objectives,

activities or systems (there were none despite the pandemic).

- e) Matters arising from previous reports to the Audit and Standards Committee.
 - f) Whether any limitations have been placed on the scope of Internal Audit (there have not been any).
 - g) The extent to which resources constraints may impinge upon the Internal Audit Manager's ability to meet the full audit needs of the Council. As detailed above, the pandemic led to a revised Internal Audit plan being agreed and during the year there were inevitably operational disruptions which impacted on the access of Internal Auditors to key staff and information.
 - h) What proportion of the Council's audit need has been covered to date; and
 - i) The results of work performed by other assurance providers including the work of the External Auditors.
6. The Internal Audit Manager is satisfied that sufficient internal audit work has been undertaken to allow a reasonable conclusion as to the adequacy and effectiveness (or inadequacy and ineffectiveness) of the Council's risk management, control and governance processes to be drawn.

Based upon the results of work undertaken during the year, it is the Internal Audit Manager's overall opinion that the Council has in place adequate and effective governance, risk management arrangements and control processes. Where there have been significant issues these have been accepted by Management and promptly corrected.

Key governance, risk management and internal control arrangements have been maintained or revised as appropriate in response to the Covid-19 pandemic and have not deteriorated as a result Covid-19

7. This report outlines the work undertaken by Internal Audit during the 2020/21 year and covering the period 1 April 2020 to 31 March 2021.
8. Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. On behalf of the Council, Internal Audit reviews, appraises and reports on the efficiency, effectiveness and economy of these arrangements.
9. Internal Audit is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed

to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

10. The annual report must incorporate:

- a) The opinion;
- b) A summary of the work that supports the opinion; and
- c) A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

11. The primary role of Internal Audit is to provide assurance to the Council (management, Heads of Service and the Audit and Standards Committee) and ultimately the taxpayers that the Council maintains an effective control environment that enables it to manage its significant organisational risks. Internal Audit helps the Council achieve its objectives and provide assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Council's control environment which feeds into the Annual Governance Statement.

Internal Audit Work During 2020/21

12. The 2020/21 Internal Audit Plan was originally presented to and agreed by the Audit and Standards Committee in March 2020. The plan was prepared based on the risks associated with the Council's objectives in consultation with key officers and took into account:

- a) Knowledge and experience accumulated in Internal Audit, including the results of previous reviews
- b) A review of audit themes against the Corporate risk register and Council priorities
- c) The work of other assurance providers both internally and externally
- d) The external environment including economic climate, government initiatives such as welfare reform and changes in funding
- e) Harmonisation of themes with the Borough of Broxbourne Council and Epping Forest District Council to enable benchmarking and sharing of good practice.

13. Due to the pandemic the focus of Internal Audit's work was significantly changed and a new plan for 2020/21 adopted and approved at the June

Audit and Standards Committee meeting. Both the original and revised plan were designed to allow sufficient audit coverage to support the overall opinion for the Council. Despite the changes there has been sufficient internal audit coverage in order to give this opinion.

14. At the end of each assurance review a report is issued giving a formal audit assurance rating. This rating is based on an assessment of the key management arrangements and internal controls in place and measured using the following scale:

- a) 'Substantial' assurance – Overall, there is a sound system of control. Any weaknesses which put system/service objectives at risk will be minor and does not lead the Council to significant risk exposure.
- b) 'Moderate' assurance - Basically sound control, with areas of weakness, which put system/service objectives at risk. (Any high priority recommendations will prevent this level of assessment).
- c) 'Limited' assurance – There are significant weaknesses in more than one key control area, which could put system/service objectives or the Council at risk.
- d) 'No' assurance – There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk.

Summary of Assurance Work

15. A total of ten audit reports were issued as part of the 2020/21 Plan, nine being assurance reviews and one being a follow up audit. The moderate and limited assurance reports tend to relate to a specific area rather than represent a breakdown of controls across the Council. The table below provides a comparison between the 2020/21 and previous four financial years:

Table 1: Assurance Report Comparison

Assurance rating	2020/21	2019/20	2018/19	2017/18	2016/17
Substantial	2	4	6	2	7
Moderate	5	6	4	6	6
Limited	2	1	2	0	1
No	0	0	0	0	0
TOTAL	9	11	12	8	14

16. Appendix A sets out work carried out by Internal Audit during the year in narrative form and compares this to the plan agreed by Audit and Standards Committee in June 2020. This summary includes individual

audit reviews, investigations, consultancy and advice and other internal audit engagement activities with the Council.

17. Appendix B lists the individual audit reports issued as part of the 2020/21 Plan with their assurance rating and number of recommendations made by risk priority.

Tracker process

18. Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. Recommendation categories are linked to risk and, in order of priority, are rated 'high', 'medium' and 'low'.
19. Reports on progress of the management implementation of agreed recommendations are actively monitored by the Senior Management Board. The Audit and Standards Committee receives a report of all overdue recommendations plus any fundamental recommendations from final reports issued, regardless whether they are overdue or not.
20. The process continues to work well and there are no significant issues to report regarding the implementation of audit recommendations.

Other Sources of Assurance

21. The opinion given in this annual report does not rely solely on the formal audits undertaken by the section.
22. Special investigations: Internal Audit investigates any allegations of fraud and suspected irregularity. There are separate arrangements for reporting, investigating and dealing with benefits fraud. A record is maintained of all reported and alleged fraud and theft with a summary reported annually to the Audit and Standards Committee. For 2020/21 there were no significant (estimated at more than £10,000) investigations by Internal Audit into suspected fraud.
23. Advice: Internal Audit is most effective when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems. This includes Internal Audit sitting on key business groups which in 2020/21 included:
- a) Corporate Governance Group
 - b) ICT Operations Board
 - c) Information Governance Group
24. Internal Audit has also provided advice regarding implementation of the new HR/payroll system (iTrent), undertaken assurance and fraud work around business grants and helped the Council move forward with their

service planning and risk management processes and information governance arrangements.

25. In addition, Internal Audit raises awareness of control issues throughout the Council; in particular during the Covid-19 lockdown when more remote processes were introduced. Also through the update of key governance documents and the co-ordination and analysis of service assurance statements which feeds into the Annual Governance Statement.
26. Anti-Fraud and Corruption work: Harlow Council participates in the National Fraud Initiative which is a data matching exercise run annually by the Cabinet Office. The exercise seeks to identify fraud spanning public bodies and Internal Audit is the key point of contact and facilitates and supports the Council's involvement.
27. Internal Audit continues to be an active member of the Corporate Fraud Group, sharing good practice seen elsewhere and helping to deliver anti-fraud initiatives which supports the Council's anti-fraud and corruption strategy which was approved at the August 2020 Audit and Standards Committee.

Effectiveness

28. In line with good practice, the Internal Audit service should on an annual basis ensure it is compliant with the 2017 Public Sector Internal Audit Standards (PSIAS), notifying the Audit and Standards Committee of any areas of non-compliance.
29. Following an external assessment, which is required every five years, the service was confirmed as fully compliant in November 2016 and this is still the case as there have been no significant changes in the way the Internal Audit service is delivered or operates, and the Internal Audit Manager has not taken on any additional responsibilities that could compromise the service's independence and objectivity. An External Quality Assessment (EQA) is planned July 2021, the results of which will be reported to the November 2021 Audit and Standards Committee.
30. Performance indicators are in place to monitor service performance and reported at each Audit and Standards Committee with a summary for the year presented below with a comparison with last years' results. The amount of time to obtain management responses has been brought to Senior Management Board's attention:

Table 2: Performance Indicator Summary

Aspect of Service	Performance Indicator	Target	Year End 2020/21	Year End 2019/20
Audit Plan	<ul style="list-style-type: none"> Achievement of the annual Plan 	<ul style="list-style-type: none"> Sufficient internal audit work in order that the Internal Audit Manager can give their annual opinion. 	<ul style="list-style-type: none"> Achieved 	<ul style="list-style-type: none"> Achieved
Internal Audit processes	<ul style="list-style-type: none"> Issue of draft report after closing meeting 	<ul style="list-style-type: none"> Within 10 working days 	<ul style="list-style-type: none"> 6 days 	<ul style="list-style-type: none"> 5 days
	<ul style="list-style-type: none"> Issue of final report after agreement with client to draft 	<ul style="list-style-type: none"> Within 5 working days 	<ul style="list-style-type: none"> 2 days 	<ul style="list-style-type: none"> 3 days
Effective management engagement	<ul style="list-style-type: none"> Management responses within 10 working days of draft report 	<ul style="list-style-type: none"> 10 working days 	<ul style="list-style-type: none"> 18 days ** 	<ul style="list-style-type: none"> 24 days *
	<ul style="list-style-type: none"> Implementation of agreed audit recommendations 	<ul style="list-style-type: none"> Within agreed timescales 	<ul style="list-style-type: none"> Largely met (as reported via the tracker) 	<ul style="list-style-type: none"> Largely met (as reported by tracker)
Continuous Professional Development (CPD)	<ul style="list-style-type: none"> Auditors maintain and improve their knowledge, skills and other competencies through directed and self-directed activities 	<ul style="list-style-type: none"> 40 hours of CPD activity per auditor 	<ul style="list-style-type: none"> Target for 2020/21 achieved 	<ul style="list-style-type: none"> Target for 2019/20 achieved.

* The figures are higher than expected because it took longer than would normally be expected for the responses to three of the reports to be

received as a result of changes to working arrangements directly linked to the Covid-19 pandemic.

** The majority of reports took longer to finalise than anticipated due to a mixture of Covid-19 and complexity of issues to resolve (for example data retention and disposals)

31. Internal Audit staff participate in Continuous Professional Development including keeping abreast of best professional practice. Members of the Internal Audit team participate in various networking groups including the Essex Audit Group, the Midland Audit Group and the London Audit Group, where speakers on topical issues give presentations. There are also close working relationships with other councils.

IMPLICATIONS

Environment and Planning (includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (includes ICT)

The results of this report and the Internal Audit Manager's overall opinion provide sources of assurance for the Annual Governance Statement.

Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive

Housing

None specific

Author: Andrew Murray, Head of Housing

Community Wellbeing

None specific

Author: Jane Greer, Head of Community Wellbeing

Governance

The review ensures that the Council fulfils the requirements of the Accounts & Audit Regulations (England) 2015.

Author: Simon Hill, Head of Governance

Background Papers

NB: There are papers referred to in the preparation of the report that are not attached as appendices but that are available for public or Councillor study.

Public Sector Internal Auditing Standards (PSIAS) 2017
Accounts and Audit Regulations (England) 2015

Appendices

Appendix A – Internal Audit 2020/21 Outcomes
Appendix B – Audit Report Monitoring 2020/21

Glossary of terms/abbreviations used

EQA - External Quality Assessment

PSIAS - Public Sector Internal Audit Standards

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End Position	Status /Assurance
Corporate Framework				
<p>Governance & Probity</p> <p>The corporate priorities are underpinned by sound leadership, management of resources, and governance</p>	<p>The Council's governance framework underpins everything it does; therefore, robust arrangements are key in managing this risk.</p>	<p>Governance – Harlow and Gilston Garden Town: Look at the governance arrangements to support the collaboration between Epping Forest, Harlow and East Herts to deliver the government's Garden Town initiative.</p> <p>Equalities Act and use of impact assessments: Will assess compliance with the Equalities Act and consider the use of Equality Impact Assessments within decision making and large projects, ensuring all decisions have a completed and evidence based assessment.</p>	<p>Harlow and Gilston Garden Town (HGGT): A HGGT Member Board comprising representatives from all five councils provides high level oversight and direction for the HGGT project. Progress is monitored through the Project Director's highlight report to the Board and their weekly meetings with the Independent Chair of the Board. Fortnightly meetings between the Chief Executive and HGGT Director ensure the Council's interests are communicated at a strategic level.</p> <p>Equalities Act and use of impact assessments: At a strategic level the Council demonstrates a commitment towards promoting equality through its goals in the corporate plan and a member champion for equality and diversity. The Council's Equality Policy on Inclusion and Diversity should be revised in line with best practice to underpin this and equalities information published annually in line with the Public Sector Equality Duty. An Equality Working Group (EWG) has been established to take equalities forward at an operational level. As a priority the EWG should establish objectives which fully support the Council's corporate equalities goals and develop an action plan to implement these. The Equality Working Group should also develop a clear</p>	<p>Harlow and Gilston Garden Town – substantial assurance</p> <p>Equalities Act and use of impact assessments – limited assurance</p>

208

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End Position	Status /Assurance
			framework to ensure equality impacts are an integral part of the decision-making process.	
Fraud Proactive fraud work	CR01 (Financial resilience) - any loss through fraud is a drain on resources which, in turn, reduces the amounts available for service delivery.	Member of the Corporate Fraud Group. Oversee the delivery of the Council's anti-fraud and corruption action plan. Potential for fraud considered in all audits. Co-ordinate National Fraud Initiative data matching process.	Member of the Corporate Fraud Group, which meets quarterly. This group oversees the Council's action plan that co-ordinates the Council's approach and activities that complements the Council's anti-fraud and corruption strategy, which was updated in August 2020. Internal Audit continued in year work regarding the National Fraud Initiative In addition, both Internal Audit and the Corporate Fraud Team at Epping Forest have been assisting the Revenue and Benefits Manager in identifying and targeting potential fraudulent Covid-19 business grant claims.	Completed for 2020/21
Assurance Framework incl. Risk Management and support to Audit Committee	Risk in achieving corporate priorities as these are underpinned by sound leadership, management of resources, and governance.	Co-ordination of year-end assurance reporting, including the Annual Governance Statement. Member of the Corporate Governance Group. Assistance to Head of Finance and the Insurance and Risk Manager in enhancing and embedding the Council's risk management framework. Support and training to the Audit Committee.	Internal Audit drove the annual review each service undertakes regarding the effectiveness of its governance, risk management and internal control arrangements. Findings and key themes/common issues were reported to the Corporate Governance Group and fed into the Annual Governance Statement process. Internal Audit continues to provide advice and good practice as the Council continues to develop its risk management framework. Internal Audit co-ordinated the process for	Completed for 2019/20

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End Position	Status /Assurance
			<p>seeking applications as an Independent Member of the Audit and Standards Committee. Interviews took place via Zoom at the beginning of October by three members of the Committee, supported by the Head of Finance and the Internal Audit Manager. An appointment was not made on this occasion and the recruitment process will restart in 2021/22.</p>	
<p>Information Management and Governance -</p> <p>Data protection and security. Data sets, owners and protocols. Governance and data sharing. Training and awareness</p>	<p>CR08 Information Governance and Data Compliance: Breach of data protection and other legislation related risks which could lead to significant fines and reputational damage.</p>	<p>Data retention and disposals: cross cutting review to ensure the Council's data retention and disposal policy is fit for purpose and being complied with.</p> <p>Member of the Corporate Information Governance Group which is chaired by the Head of Governance and includes the Council's Data Protection Officer. (DPO).</p> <p>Continue to assist the Council's DPO by providing assurance and advice in targeted areas.</p>	<p>Data retention and disposals audit: Overall, the Council has a robust data retention and disposals framework parts of which are working well in practice. The framework is reliant on Services and teams owning their data (and rightly so) and ensuring compliance with legislation. The Council needs to ensure there are corporate mechanisms and clear processes to ensure this compliance, providing support where required.</p> <p>Information Governance: Internal Audit has been instrumental in implementing the Information Governance Group's action plan and meet regularly with the Council's DPO to discuss progress. In particular, Internal Audit has assessed where Register of Processing Activities need to be updated and undertaken a benchmarking exercise to assist the review of Contract Standing Orders (CSO's) (See: Procurement) Internal audit has also assisted the DPO with the review of existing processes for dealing with Freedom of Information requests.</p>	<p>Data retention and disposals audit – moderate assurance</p>

012

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End Position	Status /Assurance
Performance Management: Data integrity & quality (collection, collation, analysis and validation). Use of performance targets	Risk of non-achievement of corporate priorities and lack of transparency.	<p>The suitability and integrity of Performance Indicators (PIs) are considered within operational audits.</p> <p>During 2020/21 time has been set aside for Internal Audit to assist Policy and Performance in their review of the performance management framework</p>	<p>No concerns identified regarding performance indicators examined in other audits including parks and landscapes. Except for Accounts Payable where there is a need to improve the payment time of invoices and IT Services to HTS where there is an absence of KPIs.</p> <p>Performance management framework: A review of the framework was undertaken before the pandemic by the Service Manager (Relationship & Commissioning Manager). Then service resources were diverted to support the Council's response Covid-19. The review of the framework will continue in 2021/22 in conjunction with Internal Audit</p>	Completed for 2020/21
Value for Money (VfM) - Guiding principle of the Council	VfM helps the Council manage its corporate risk CR01 on financial resilience.	<p>Value for money and use of benchmarking is considered in all audits.</p> <p>HTS Best Value Review (also part of joint working below): Will review the adequacy of mechanisms to ensure the recommendations from the BVR are implemented with buy-in by all parties.</p>	<p>Areas for improvement in terms of the 3Es (Effectiveness, Efficiency and Economy) identified in a number of audits including payroll, IT Services to HTS and data retention and disposals.</p> <p>HTS Best Value Review – audit is in progress</p>	Completed for 2020/21 HTS Best Value Review – will be reported as part of the 2021/22 Plan
Joint Working, Shared Services, Outsourcing and Partnerships	On corporate risk register: CR06 - Lack of resources and capacity, Council and key	Harlow and Gilston Garden Town (joint initiative with Epping Forest, and East Herts): to ensure joint arrangements are working in the best interests for the Council with appropriate governance and	Covered in the governance review of the Garden Town arrangements (see start of Plan).	Completed for 2020/21

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End Position	Status /Assurance
	partners.	monitoring arrangements in place.		
<p>Projects</p> <p>Business case, project methodology, governance arrangements, contract management and viability</p>	<p>Poor project management increases the risk of projects not being delivered on time, to budget or does not meet the needs of the Council.</p>	<p>Capital projects programme: Will take into account the revised project management methodology being developed within InPhase.</p> <p>New HR system project: Will review the adequacy of project methodology being used as well as providing internal control advice and guidance during the implementation of the HR system (i-Trent).</p>	<p>Capital projects programme: There is an effective framework to monitor financial performance with oversight by budget holders, finance, the Senior Management Board and Cabinet. There is, however, scope to enhance the non-financial monitoring framework</p> <p>New HR system: See HR system implementation later on under Governance</p>	<p>Capital projects programme – moderate assurance</p>
<p>Contingency</p>	<p>Annual provision for responsive work, special investigations and/or key/emerging risk areas</p>	<p>Will take into account themes/issues coming out of the Annual Governance Statement.</p>	<p>No special investigations were undertaken by Internal Audit during 2020/21.</p> <p>The majority of contingency time was spent on Covid-19 business grant work. This included liaising with the Revenue and Benefits Manager about pre and post business grant checks, sharing good practice from other councils and exploring the use of central government tools and other fraud related organisations (such as the National Anti-Fraud Network and Cifas, a not-for-profit fraud prevention membership organisation) to undertake these.</p>	<p>Completed for 2020/21</p>
Themed/cross cutting audits				
<p>Income Streams</p> <p><i>Management of resources features in the corporate plan</i></p>	<p>To ensure financial resilience the Council needs to protect and maximise its income streams</p>	<p>The original audit of parking but did not go ahead as planned.</p>	<p>No work undertaken.</p>	<p>No assurance work undertaken in this area</p>

212

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End Position	Status /Assurance
<p>Procurement</p> <p>Themed audits - compliance, VfM, fraud, goods and services. End to end processes (need, selection, appointment, contract management & exit strategies)</p>	<p>Risks include non-compliance with legislation, fraud, not achieving value for money, poor service delivery.</p>	<p>Financial Regulations and Contract Standing Orders – delegated authorities: Internal Audit will assess, in conjunction with the Head of Finance, whether the Council's delegated financial authorities are still fit for purpose; benchmarking as appropriate.</p>	<p>Internal Audit benchmarked the Council's Contract Standing Orders (CSO) against 14 other district councils, with a focus on comparison of procurement thresholds, delegation and financial limits. The results of this have been fed into the Council's updated CSO which will go to Full Council for approval in 2021/22. A review of the Council's Financial Regulations is planned for 2021/22.</p>	<p>Completed for 2021/22</p>
<p>Health & Safety</p>	<p>Risk of compromising the health and safety of individuals and non-compliance with H&S legislation leading to fines or imprisonment.</p>	<p>See housing section below - overview of H&S related inspections: gas, fire safety, electrical legionella, asbestos and lifts.</p>	<p>H&S related inspections audit now forms part of the 2021/22 Plan. The audit was deferred due to staff availability and services prioritising Covid-19 related issues.</p> <p>During 2020/21 Internal Audit kept a watching brief regarding Covid-19 H&S related issues for staff, and those coming into Council offices. This included review of the Council's Covid-19 risk assessment.</p>	<p>Completed for 2020/21</p>
<p>Business Continuity Planning (BCP)</p>	<p>Without adequate BCP the Council could fail to deliver its services in the event of significant incident.</p>	<p>Business Continuity Planning: Assist the Council to ensure lessons learnt from the coronavirus epidemic are captured and acted upon.</p> <p>IT Disaster Recovery: A specialist IT auditor will be used to undertake a technical review of the Council's IT Disaster Recovery arrangements</p>	<p>Internal Audit kept a watching brief during the year by speaking to key officers and reviewing the outcomes from the Covid-19 recovery groups.</p> <p>IT Disaster Recovery: Whilst Disaster Recovery plans were confirmed to be in place, they had not been reviewed or updated since January 2018. No full recovery test has yet been undertaken to confirm that adequacy of fallback arrangements, although some departmental ones have taken place. The risk exists that</p>	<p>IT Disaster Recovery – moderate assurance</p>

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End Position	Status /Assurance
			<p>without regular and thorough testing, the Council could experience significant and unnecessary downtime in the event of a live invocation. ICT had undertaken extensive work to set up a fallback data centre. In addition, live and Disaster Recovery servers were configured to ensure data was replicated across the two data centres. All servers were physically secure and subject to regular data backup.</p>	
<p>Key Financial Controls (KFC)</p> <p>Four-year rolling programme of full system and key control audits (unless significant change in process/system or poor audit outcome)</p>	<p>CR01 (Financial resilience)</p>	<p>Rolling programme of key financial control (KFC) audits. For 2020/21 these are:</p> <ul style="list-style-type: none"> • Fixed Assets Register • Treasury Management • Housing Benefit <p>In addition, the following two audits were undertaken to review the robustness and effectiveness of internal controls as the Council began its recovery phase and suitability of these for the future:</p> <ul style="list-style-type: none"> • Payroll (light touch) • Accounts Payable 	<p>Fixed asset register: The Fixed Asset Register is regularly updated for acquisitions, disposals, and the recording of depreciation. There is a framework of controls in place to ensure that Council assets are safeguarded. ICT Assets shown on the Corporate Asset Register are recorded in more detail on the ICT Asset Register. Internal Audit was unable to trace some IT purchases of PCs within the sample tested to the ICT Asset Inventory/Register. A contributory factor was that the 'Delivery Date' and 'Install Date' fields of the ICT Asset Inventory/Register are not always completed. A further contributory factor is that since the latter part of 2019, and through 'lockdown', large orders of ICT equipment have been made and instead of being recorded in the ICT Asset Register/Inventory on a second 'Homeworking' spreadsheet.</p> <p>Treasury Management: Deferred 2021/22 due to staffing changes within the</p>	<p>Fixed asset register – moderate assurance Payroll (light touch) – substantial assurance Accounts Payable – moderate assurance</p>

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End Position	Status /Assurance
			<p>accountancy function</p> <p>Housing Benefit: Deferred to 2021/22 due to staff availability and services prioritising Covid-19 related issues</p> <p>Payroll (light touch): The purpose of this audit was to ensure robust controls were in place at the start of and during the Covid-19 pandemic as processes had to quickly evolve as most staff were required to work from home. The audit confirms that since March 2020 the Council has maintained effective payroll systems and processes.</p> <p>Accounts Payable: This audit confirms that since March 2020, changes made to Accounts Payable systems and processes in response to Covid-19 are working well and in the best interests of the Council. However, the Council consistency fails to achieve its KPI of paying invoices within 30 days of the invoice date. Use of exception reporting and working with officers should address the problem.</p>	
<p>IT Audits: IT Governance, IT Regulation, Security/Privacy, Business Systems, DRP/BCP, Network, Emerging Technologies e.g. mobile devices, IT Applications and Projects</p>	<p>CR08 Information Governance and Data Compliance: Risks around data and asset security and loss of service. Opportunity for IT to be an</p>	<p>Provision of IT services to HTS: assess whether IT services provided by the Council to HTS works for both parties.</p>	<p>Provision of IT services to HTS: Whilst there is a formal contract and Service Level Agreement (SLA) that describes activities to be provided, performance measures and specific KPIs which would help to monitor and assess contract performance are absent. The contract provides for non-standard billable work (e.g. out of hours support or overtime worked not being charged). It is possible that such work is being absorbed by ICT and an opportunity</p>	<p>Provision of IT services to HTS – moderate assurance</p>

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End Position	Status /Assurance
	enabler for delivering the Council's priorities		to recover this cost is being missed.	
Operational/service audits				
Housing: Housing Management Property Services Housing Needs and Options Sheltered Housing Area Housing Home Ownership	CR03 - Lack of Suitable Housing Mix CR04 - Lack of adequate Council housing	Overview of H&S related inspections: gas, fire safety, electrical legionella, asbestos and lifts: Overview of H&S related inspections: gas, fire safety, electrical legionella, asbestos and lifts. This audit builds on audits undertaken in recent years on gas safety and asbestos to give a holistic view on how this is being managed for the Council's housing properties	This audit now forms part of the 2021/22 Plan and was deferred due to staff availability and services prioritising Covid-19 related issues Former Tenant Arrears (FTA): A follow up audit of former tenant arrears was undertaken to review the implementation of the recommendations made in the previous Internal Audit report issued in April 2020 which was given limited assurance. Some progress has been made since the previous audit. The void property list is reviewed regularly, therefore, that high priority recommendation has been implemented. The other high priority recommendation made relates to the review of aged debts and this is in progress, being a larger piece of work. Priority is given to the recovery of current rent arrears so there is limited resource for the review of former tenant debts and still needs to be addressed.	Overview of housing H&S related inspections: will be reported as part of the 2021/22 Plan Former Tenant Arrears – follow up audit completed
Community Wellbeing: Community Safety Community, Leisure and Culture Customer & Media Services	CR05 - Inability to fulfil Community Leadership role CR07 - Ability to support children and family	Events Management: This audit was to look at the role of the recently created Events Officer post and ensure there is a joined up approach across the Council which meets the public's needs.	This audit did not materialise as no events took place due to the pandemic. However, assurances for this service area provided via the Harlow and Gilston Garden Town audit – see earlier.	Completed for 2020/21

216

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End Position	Status /Assurance
Youth & Citizenship Regeneration and Enterprise Zone	aspirations CR02 - The Harlow Offer CR06 - Lack of Resources and Capacity, Council and key partners			
Environment and Planning: Operations and, energy planning Planning & Building Control Environmental Health Licensing Streetscene Health and Safety	CR06 - Lack of Resources and Capacity, Council and key partners	<p>Parks, landscapes and Streetscene: The parks and landscapes audit will assess new processes implemented 2018/19 and to include playgrounds</p> <p>Planning and Building Control: will also include covenant control being a source of income for the Council.</p>	<p>Parks and landscapes: Grounds maintenance services are delivered by HTS (Property and Environment Ltd) in accordance with the contract payment mechanism, however improvements are required for the service to meet the needs of the Council. The implementation of an annual grounds maintenance programme will inform the Council of the service plans in terms of planting and maintenance activities throughout the year.</p> <p>The arboriculture service is reactive, responding to emergency works and calls received from the public. There is no annual schedule for planned inspection of trees which, if in place, would provide assurance that trees in public places are inspected and maintained in order of risk. An improvement action plan has been developed by HTS to complete outstanding tree work and is being led by HTS working with the Council.</p> <p>Planning and Building Control: The audit was deferred due to staff availability and</p>	Parks and landscapes – limited assurance for arboriculture service and moderate assurance for grounds maintenance service

217

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End Position	Status /Assurance
			services prioritising Covid-19 related issues. It now forms part of the 2021/22 Plan	
Governance: Corporate & Governance Support Legal Services Electoral Services Human Resources Procurement & Relationship (covered elsewhere in the plan) Policy & Performance (covered under performance management)	Risk of corporate priorities not being met should these service areas fail to deliver.	HR system implementation: Internal Audit will provide internal control advice and guidance as the new HR system (iTrent) is implemented Service/business planning and risk management: working in conjunction with the policy, performance and risk services Internal Audit will continue to help the Council develop its approach to service and business planning ensuring this is integrated with budget setting and risk management processes.	iTrent project: Internal Audit throughout 2020/21 continued overseeing the project plan for implementation of the new HR system (iTrent), The planned go-live date of December 2020 for the payroll module was successfully achieved, the project has now moved on to phase two. Internal audit has facilitated discussions between key departments to ensure there is a holistic approach to the project.	Completed for 2020/21
Finance: Revenues & Benefits (covered under KFC audits) ICT (covered elsewhere in the plan) Accountancy (see also KFC audits) Insurance Internal Audit	CR01 (Financial resilience)	Covered in other audits	See earlier for IT and key financial control audits	Completed for 2020/21
Follow Up Audits Review of progress against	Tracker process ensures risks identified in audits have	Includes specific follow up work especially where Limited assurance previously given. Includes maintaining the	Implementation of all recommendations continues to be scrutinised as part of the tracker process. Recommendations made in previous reports are routinely followed up	Completed for 2020/21

219

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End Position	Status /Assurance
recommendations on the tracker	been managed to an acceptable level.	recommendation tracker, which is reported at each Audit and Standards Committee.	when the audit is next undertaken, for example Fixed Assets, Payroll and IT Disaster Recovery. A formal follow up of Former Tenant Arrears was reported earlier.	

**Appendix B - Audit Plan Monitoring 2020/21
Year End March 2021**

220

	Risk Area	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High risk Recommendations	Medium risk recommendations	Low risk recommendations
Harlow and Gilston Garden Town	Corporate	12	Final report	■	■	■	Substantial	0	3	1
Payroll (light touch)	Governance	7	Final report	■	■	■	Substantial	0	1	1
Data retention and disposals	Governance	12	Final report	■	■	■	Moderate	0	6	4
Key Financial Controls - Fixed Assets	Finance	12	Final report	■	■	■	Moderate	0	2	0
Key Financial Controls - Accounts Payable	Finance	12	Final report	■	■	■	Moderate	0	5	2
Provision of IT services to HTS	Finance	8	Final report	■	■	■	Moderate	0	6	0
IT disaster recovery	Finance	10	Final report	■	■	■	Moderate	0	7	0
Capital projects programme	Finance	15	Final report	■	■	■	Moderate	0	4	1
Parks and landscapes	Planning and Environment	15	Final report	■	■	■	Limited/Moderate	2	1	0
Equality Act and Impact Statements	Governance	10	Final report	■	■	■	Limited	2	4	2
Former Tenant Arrears follow up	Housing	5	Completed	■	■	■	n/a	1	1	3
HTS Best value review progress	Corporate	12	In progress							
Planning and building control	Planning and Environment	12	Scoping							
Key Financial Controls - Treasury Management	Finance	10	Deferred							
Key Financial Controls - Housing Benefits	Finance	15	Deferred							
Housing - overview of H&S inspections	Housing	15	Deferred							
Not a specific audit										
Advice and guidance for the new HR system	Governance	3	On going	■						
Business Continuity (and Covid-19 recovery)	Corporate	5	On going	■						
Financial Regulations and Contract Standing Orders - delegated authorities	Finance	10	Completed				Not an audit but a benchmarking exercise instead			
Totals		153		13	11	11		5	40	14

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **16 JUNE 2021**

TITLE: **ANNUAL GOVERNANCE STATEMENT**

LEAD OFFICER: **SIMON FREEMAN, HEAD OF FINANCE**
(01279) 446228

RECOMMENDED THAT:

The Committee reviews and comments on the Council's draft Annual Governance Statement for 2020/21.

BACKGROUND

1. Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct, at least annually, a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement (AGS) which is required to accompany the Council's Statement of Accounts.
2. The CIPFA/SOLACE document Delivering Good Governance in Local Government Framework (2016) defines the principles that should underpin the governance of each local government organisation and has been followed in preparing the AGS.
3. The Council must review its systems of internal control and governance annually and assure itself that its internal control environment is effective. Various sources of assurance are relied upon to enable the preparation of the AGS, These include:
 - a) Work of the internal auditors
 - b) Work carried out by the external auditors
 - c) Reports from other review agencies and inspectorates (if applicable).
4. Heads of Service have responsibility for the development and maintenance of the internal control environment. They provide annual declarations which self-assesses the rigour of the control environment within their service. The Internal Audit annual report forms a key element of the review, as does the Council's work on risk and performance management.
5. The AGS covers all significant corporate systems, processes and controls, spanning the whole range of the Council's services, including those designed to ensure that:

- a) The Council's policies are implemented in practice
 - b) High quality services are delivered efficiently and effectively
 - c) The Council's values and ethical standards are met
 - d) Laws and regulations are complied with
 - e) Required processes are adhered to
 - f) Financial statements and other published performance information is accurate and reliable
 - g) Human, financial, environmental and other resources are managed efficiently and effectively
6. The AGS is required to disclose any governance issues which may impact on the Council being able to achieve its corporate objectives. These are set out towards the end of the AGS, together with proposed actions to address these concerns and improve performance. The AGS also reflects the way the Council has had to adapt its governance arrangements during 2021/22 as a result of the impact of Covid-19.
7. Preparation of the AGS has been managed by the Council's Corporate Governance Group, and a draft of the AGS considered by SMB. The Corporate Governance Group will continue to monitor the actions set out in the AGS, along with other work that is relevant to governance. This will include, but is not limited to, managing the audit recommendation tracker and reviewing progress with risk and performance management.
8. The AGS should be produced at the same time as the draft accounts, and needs to be up to date at the time of publication. A draft AGS is presented to the Committee for their review and comment, however, the final (signed) version will come back to the Committee with the draft accounts. This will ensure it will account for (if appropriate) any significant event that affects the assessment of the Council's governance arrangements that might occur from April 2021 onwards.

IMPLICATIONS

Environment and Planning (includes Sustainability)

None specific

Author: Andrew Bramidge, Head of Environment and Planning

Finance (includes ICT)

This Statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements.

Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive

Housing

None specific

Author: Andrew Murray, Head of Housing

Community Wellbeing (includes Regeneration, Equalities and Social Inclusion)

None specific

Author: Jane Greer, Head of Community Wellbeing

Governance (includes HR)

Approval of the Annual Governance Statement is required by section 6(2) of the Accounts and Audit (England) Regulations 2015

Author: Simon Hill, Head of Governance

Appendices

Appendix A – Draft Annual Governance Statement 2020/21

BACKGROUND PAPERS

Accounts and Audit (England) Regulations 2015

Delivering Good Governance in Local Government Framework (2016)

Glossary of terms/abbreviations used

AGS – Annual Governance Statement

CIPFA – The Chartered Institute of Public Finance and Accountancy

SOLACE – Society of Local Authority Chief Executives

Harlow Council - Annual Governance Statement 2020/21

Scope of responsibility

- 1.1. Harlow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In meeting this overall responsibility, the Council must put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3. The Council has adopted a code of corporate governance (last updated August 2020) which is consistent with the principles of the CIPFA (Chartered Institute of Public Finance and Accounting)/SOLACE (Society of Local Authority Chief Executives) Framework *Delivering Good Governance in Local Government*.
- 1.4. This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015, in relation to the publication of an annual governance statement.

The purpose of the Governance Framework

- 1.5. The Governance Framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 1.6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. The system is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 1.7. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).
- 1.8. The Council's governance framework has been in place within the Council for the year ended 31 March 2021.

The Governance Framework

- 1.9. The Council's Governance Framework has been set up over successive years and is reviewed annually to ensure its continuing effectiveness with regard to the seven CIPFA/SOLACE principles of delivering good governance as updated in

2016, which are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Council's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong financial management.
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

1.10. A brief description of the key elements of Governance Framework in place at Harlow Council is included as Appendix 1. The annual review of the effectiveness of this framework is covered in the next section.

Review of effectiveness

1.11. 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:

- a) the work of the senior management team who have responsibility for the development and maintenance of the governance environment
- b) the role of the Cabinet and committees, including the Audit and Standards Committee and the Shareholders Sub Committee for the Council's wholly owned subsidiary company Harlow Trading Services
- c) the Internal Audit Manager's Annual Report
- d) comments made by the external auditors
- e) other review agencies and inspectorates

1.12. The review has been led by the Corporate Governance Group comprising the Head of Governance, the Section 151 Officer, a Policy and Performance representative, the Internal Audit Manager, the Insurance and Risk Manager, the Legal Services Manager and other officers when they have specific contributions to make. In carrying out the review, the Group has kept in mind the seven CIPFA/SOLACE principles of effective governance. The Group has considered the following evidence:

- a) Service Assurance Statements – third tier managers, in conjunction with their Head of Service, have completed a self-assessment covering the effectiveness of governance arrangements in their area. The self-assessments, which have been reviewed by Internal Audit, have been used to identify areas for improvement both at a service level and, where more than one service has identified an area for improvement; corporate actions have been added to the improvement plan covered in the next section.
- b) The Internal Audit Manager's annual opinion on the Council's control

framework, delivered to the Audit and Standards Committee, as the body charged with governance.

- c) Based upon the results of work undertaken during the year it is the Internal Audit Manager's overall opinion that the Council has an adequate and effective governance, risk management and control framework for 2020/21. Areas for improvement were identified in a number of reviews and action plans agreed. Where significant deficiencies in control processes have been identified by Internal Audit, the actions that the Council's management plan to take will, if implemented satisfactorily, resolve the deficiencies in the appropriate manner.
- d) External audit reports issued during the 2020/21 year. Where these exist, we have also used reports from other agencies and inspectorates.

1.13. During the year the Corporate Governance Group has been responsible for monitoring and reviewing the corporate governance framework and for considering specific governance issues as they arise. The work of this group has strengthened many of the Council's governance processes and has addressed issues raised in the Annual Governance Statement. In particular, the group continues to ensure that there is better integration of the assurance framework and that the process for producing the Annual Governance Statement remains robust.

Impact of coronavirus on the Council's governance arrangements for 2020/21

- 1.14. On 23 March 2020 the Prime Minister announced a national lockdown due to the coronavirus pandemic. This led to the majority of staff working from home and a temporary cessation of Council meetings. Due to the outbreak the Council invoked its emergency powers under Part 3 (Part B, paragraph 1) of the Council's Constitution. This has allowed the Chief Executive, in consultation with the Leader of the Council, to carry out the functions of the Council and Cabinet.
- 1.15. Local authorities in England were granted new powers to hold public meetings virtually by using video or telephone conferencing technology from 04 April 2020. Since the end of April virtual meetings have been taking place for Harlow, which are open to the public. This included those meetings deferred from the end of March/beginning of April including Cabinet and Council.
- 1.16. This came to an end in May 2021. Regulations which have allowed local authorities to meet remotely during the Covid-19 pandemic do not apply to meetings after 6 May 2021.
- 1.17. Key Council services, including all statutory ones, continued during lockdown although some processes were amended to allow for remote working, for example allowing approval by email instead of a wet signature and discussed with Internal Audit first. Some services were paused for a short while for example routine housing repairs and coronavirus led to some new activities being undertaken, for example distribution of the government's Covid-19 related business grants by the Revenues and Benefits service.

Overall opinion of Harlow's governance arrangements

- 1.18. Despite coronavirus this AGS demonstrates that the Council's governance arrangements have remained fit for purpose, even when flexed, for example by

invoking the Council's emergency powers and holding Cabinet, Council and committee meetings virtually. There has been no significant detriment on the Council's ability to deliver its services.

- 1.19. The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2020/21 including a review of the assurance checklists and statements submitted by managers. It has concluded that arrangements are fit for purpose and working effectively and this has been endorsed by SMB (Senior Management Board). As a result of this assessment, a small number of other governance issues have been identified and in order to further strengthen arrangements, as detailed in table two.

2. Governance Issues Identified

- 2.1. This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues identified. The Council's Corporate Governance Group, which monitors and reviews the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table 1 below:

Table 1 – Progress on significant governance issues identified in the 2018/19 AGS

Significant issue identified in 2019/20 AGS	Action taken in 2020/21 to address the issue
Risk Management and lessons learnt	<p>It was important that the Council continued to monitor (and where required) mitigate risks to the Council's objectives, not only those relating to coronavirus.</p> <p>Risks have continued to be routinely scrutinised by both SMB and the Audit and Standards Committee. And is being informed through the Council's Covid-19 recovery groups.</p> <p>Lessons learnt are being built into the Council's accommodation review including how and where staff will be allowed to work going forward.</p>
Financial resilience	Close monitoring of budgets against actuals took place throughout 2020/21, and included a review of the Council's Medium Term Financial Strategy.
New ways of working	As a result of coronavirus staff have been encouraged to work in a more agile (remote) way. Processes have been reviewed to ensure internal controls, especially where altered, are robust and fit for purpose. This was undertaken in conjunction with a review of IT security and information governance arrangements.

Ensuring the health and safety of staff, partners and the public in the way it delivers its services	The Council kept under constant review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance was being followed regarding Covid-19, especially where the Council was delivering its services.
Common themes from the Service Assurance Statements was:	
Project management processes – corporate approach	This will be progressed in 2021/22 following Member approval of additional staff resource to help move this forward.
Staff resilience for small teams – ensuring adequate emergency cover for key roles and team development is difficult to achieve for smaller teams	This was reviewed as part of the Council's Covid-19 recovery plan and lessons learnt process. A number of new posts have been created to improve resilience.

- 2.2. In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement. These are set out in the table below, together with the steps to be taken to address them:

Table 2: Areas for improvement or monitoring during 2021/22

Key improvement/review area	Action to be taken in 2021/22
Ensuring the health and safety of staff, partners and the public in the way it delivers its services	As in 2020/21 the Council will keep under review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance is being followed regarding the country's recovery from Covid-19, especially where the Council is delivering its services.
New Administration New ways of working	As a result of coronavirus staff have been encouraged to work in a more agile (remote) way. How this works in practice longer term will form part of the current accommodation review, drawing on feedback from the coronavirus working groups and kept under review by SMB. In addition, SMB will work with the new Administration, and keep staff informed, of any changes in corporate priorities, ensuring governance arrangements remain robust.
Financial Management Code review	2020/21 saw the introduction of CIPFA's Financial Management Code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. An assessment will be undertaken to ensure the Council can demonstrate compliance with the Code. Or if there are deficiencies, develop an action plan to address these.

Key improvement/review area	Action to be taken in 2021/22
Statement of Accounts	<p>Due to both technical and resource issues (due to Covid-19) there has been a delay in the final approval of the 2018/19 and 2019/20 accounts. This may impact on the approval of the final accounts for 2020/21, the date of publication (which is also the target date for the completion of the external audit) is 30 September 2021.</p> <p>A restructure of the accountancy team and a review of Council processes will be undertaken to mitigate the risk of future delays for subsequent years production and approval of the Council's Statement of Accounts.</p>
Common theme from the Service Assurance Statements were:	
Risk management and business/service planning	Work commenced in 2020/21 to better align service/business plans and risk management processes. This will continue in 2021/22
Project management processes – corporate approach	As identified in table 1, this will be progressed in 2021/22 by members of the Corporate Governance Group

- 2.3. The Corporate Governance Group will oversee this action plan over the coming year and report on progress to the Audit and Standards Committee. The Group will ensure that governance issues are promoted, addressed and monitored in a co-ordinated manner throughout the next financial year.

2.4. We, the undersigned, are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. The Council's Governance Group will monitor their implementation and operation throughout the year and report progress as part of our next annual review.

Signed: _____ Date: _____
 (Leader of the Council)

Signed: _____ Date: _____
 (Chief Executive)

APPENDIX 1

INTEGRITY	OPENNESS	VISION	OUTCOMES	CAPACITY AND CAPABILITY	RISK AND PERFORMANCE	ACCOUNTABILITY
Behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law.	Ensure openness in its culture and engage comprehensively with stakeholders, citizens and service users.	Have a clear vision and defined desired outcome in terms of sustainable, social and environmental benefit.	Have in place interventions necessary to optimise the achievement of its intended outcomes.	Develop the Council's capacity and capability of its leadership and staff	Manage the Council's risk and performance through robust internal control and strong public finance management.	Implement good practice in transparency, reporting and audit to deliver effective accountability.
Annual Governance Statement 2020/21						
<ul style="list-style-type: none"> • A robust whistleblowing policy and zero tolerance approach to fraud and corruption. • The Constitution sets out codes of conduct for Councillors and Officers. • The Constitution, which sets out decision making framework, gives clear definitions of roles and responsibilities and a protocol for how Councillors and Officers work together • Equality Policy revised and 	<ul style="list-style-type: none"> • Leadership encourages open and supportive culture. • Standard committee report format and publicly available modern.gov system for reporting. • Strategy for encouraging stakeholder involvement. • Overview and Scrutiny Committee 	<ul style="list-style-type: none"> • A new 2021 corporate plan has been approved • Adopted Local Plan that supports the Council's vision • Defined standards of customer service backed by a complaints procedure 	<ul style="list-style-type: none"> • Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance • Decision making processes that receive objective and rigorous analysis including involvement of the Monitoring and Section 151 Officers • Anti-Fraud and Corruption Strategy 	<ul style="list-style-type: none"> • A People Resources Plan (to be updated) to ensure that the Council has the staff, the skills, the knowledge, the facilities and the resources to meet legal requirements, its Vision and Corporate Plan. • The Council has an established induction and training programme for existing and new Councillors. This process includes mentoring and training events as and when identified 	<ul style="list-style-type: none"> • A corporate Risk Strategy and toolkit. • A performance management framework which includes integrated performance and financial management report. • Medium Term Financial Strategy and integrated service planning approach • Internal Audit function to provide assurance on governance, risk management and control. • Audit and Standards Committee 	<ul style="list-style-type: none"> • Accountability for decision making detailed within the Constitution • Reporting regularly on performance and use of resources. • Requirement for managers to produce annual assurance statements which feeds into the Annual Governance Statement • Processes to ensure internal and external audit recommendations are acted upon

updated and a Equality Framework & Action Plan developed						
<ul style="list-style-type: none"> <li data-bbox="483 320 1688 349">• An active Corporate Governance Group which takes charge of the Annual Governance Statement. 						

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **16 JUNE 2021**

TITLE: **INTERNAL AUDIT ACTIVITY REPORT**

LEAD OFFICER: **SARAH MARSH, INTERNAL AUDIT MANAGER**
(01279) 446884

RECOMMENDED that the Committee:

- A** Reviews the outcomes of the work of the Internal Audit service for the period April 2021 to June 2021 and identifies any issues for further consideration.
- B** Agrees the scope of the External Quality Assessment of the Internal Audit service.

BACKGROUND

Progress Against Audit Plan

- 1. The Harlow audit plan for 2020/21 is almost complete and sufficient work has been undertaken in order for the Internal Audit Manager to give their annual report and assurance opinion which is reported elsewhere in the agenda.
- 2. Two audits from the 2020/21 plan, Planning and Building Control and Treasury Management, have been deferred due to staff availability and services prioritising Covid-19 related issues and now form part of the 2021/22 Plan.
- 3. Work has commenced on the 2021/22 Audit Plan. The current status of this is set out at Appendix A to the report.

Internal Audit Reports

- 4. Six reports have been issued since the Committee received its last update in March 2021:

- a) Payroll – light touch audit (substantial assurance)

The purpose of the audit was to ensure robust controls were in place at the start of and during the Covid-19 pandemic as processes had to quickly evolve as most staff were required to work from home. This audit provides assurance that the Council has maintained effective payroll systems and processes.

Prior to March 2020 payroll system and processes were mainly paper based, however, managers were informed at the start of the lockdown that electronic copies could be submitted by email instead. Testing confirmed that on the whole this was being followed, however, some managers were still submitting paper copies of forms such as starters, leavers, mileage and overtime claims. Managers should be encouraged to scan documents for payroll to ensure appropriate safeguards are in place for personal data.

This has been a busy time for the HR/Payroll team as the implementation of the new HR/Payroll system (iTrent) commenced during the pandemic. The payroll module was successfully implemented in time for December 2020 salary payments. This has presented additional pressures for the team, running two parallel payroll systems, working with the project consultant to build and test the new system, as well as adjusting to the new ways of working prompted by Covid-19. The issues raised in this audit will be addressed once the new system (iTrent) is fully implemented as paper based processes will be automated.

As of March 2021, payroll reconciliations from the payroll system (CHRIS21) to the general ledger (Agresso) are complete for the period April to November 2020 and documentation has been retained by accountancy and payroll. The HR/Payroll system project team is working to resolve the minor technical issues which affected the completion of reconciliations since December.

b) Capital Projects Programme (moderate assurance)

The non-housing capital programme 2020/21 was formally approved by Cabinet on 23 January 2020 and testing verified there is an effective framework to monitor financial performance with oversight by budget holders, finance, the Senior Management Board and Cabinet. There is, however, scope to enhance the non-financial monitoring framework which could be achieved through a formally constituted officer group with a remit to consider benefit realisation, value for money, project risks, and also to establish a formal review of project performance on completion.

Control can also be strengthened with procedure notes setting out the specific arrangements for when a business case is and is not required to support a capital project, and who authorised that decision.

The procedures also need to define the process for approval of all capital projects including how this is captured and recorded at officer level in a single reference document. It was not possible to confirm, without a single record, the date and approval of all projects, for consideration by Cabinet. This is the officer approval to add a project to the planned capital programme for subsequent Cabinet approval of the overall programme.

An officer working group chaired by the Head of Finance has been meeting to move the recommendations forward.

c) Provision of IT Services to Harlow Trading Services (HTS) (moderate assurance)

A signed contract is in place between HTS and the Council and clearly defines HTS's requirements for provision of ICT Services. Audit testing verified that HTS is billed monthly at 1/12th of the annual contract fee for provision of the ICT services in accordance with the contract. Internal Audit were informed there has never been any deviation from the standard monthly fee.

Review of the contract and Service Level Agreement (SLA) revealed that, performance measures and specific KPIs (key performance indicators) which would help to monitor and assess contract performance are absent. There is no provision for penalties for under performance and with no mechanism for recording these, they will likely go unreported. Contract meetings between

HTS and ICT are less formal than might be expected. Whilst said to be regular, monthly prior to the Covid-19 Pandemic, meetings between the Council and HTS are not formalised, and issues discussed are not documented. The Coronavirus Pandemic has impacted on the nature of meetings and discussions and their formality and this has been noted by the audit.

The Council's Senior ICT Manager does not recollect any additional chargeable work taking place (e.g. out of hours support). The risk exists that such work is being absorbed by ICT and an opportunity to recover this cost is being missed.

ICT has implemented Disaster Recovery plans and procedures for HTS although these are yet to be adequately tested. Firewall hardware has been deployed to protect the network infrastructure, however, it has yet to be subject to external penetration testing.

d) IT Disaster Recovery (moderate assurance)

Whilst Disaster Recovery plans were confirmed to be in place, they had not been reviewed or updated since January 2018. No full recovery test has yet been undertaken to confirm that adequacy of fallback arrangements, although some departmental ones have taken place. The risk exists that without regular and thorough testing, the Council could experience significant and unnecessary downtime in the event of a live invocation.

Internal Audit testing also highlighted the absence of documented technical recovery procedures. Technical recovery procedures are essential to guide ICT support personnel on the process to rebuild key Council systems, particularly if the member of staff that normally deals with this area is not available and someone else has to pick up the activity.

There is a need to regularly review swipe card access to the ICT server room housing all live system hardware. Unauthorised or malicious access to server hardware could lead to reputational damage through the loss or theft of sensitive customer data.

It should be noted that ICT had undertaken extensive work to set up a fallback data centre. In addition, live and Disaster Recovery servers were configured to ensure data was replicated across the two data centres. All servers were physically secure and subject to regular data backup. This development work has taken place since the last audit review which took place in June 2017 and represents a clear improvement to the overall DR picture.

In addition, testing confirmed that ICT servers were protected by environmental hardware including air conditioning to control room temperature, Uninterruptible Power Supply (UPS) to maintain power supplies, and a fire suppression system. However, no evidence was available to confirm that all environmental hardware was subject to regular test and servicing. Without regular servicing, ICT servers may become vulnerable to power outages, power surges or substantial increases in server room temperature.

e) Accounts Payable (moderate assurance)

The purpose of this audit was to ensure robust controls were in place for Accounts Payable at the start of and during the Covid-19 pandemic as processes had to quickly evolve as most staff were required to work from home.

This audit confirms that since March 2020, changes made to Accounts Payable systems and processes in response to Covid-19 are working well in practice and are in the best interests of the Council.

Prior to March 2020, Accounts Payable system and processes were mainly paper based, however, managers and officers were informed at the start of the March 2020 lockdown that invoices will be processed electronically instead. This replaced the need for officers to pass their invoices to the Accounts Payable team for processing. Invoice documentation is retained in a shared central repository so easily accessible to the Accounts Payable team even when working remotely. The main challenges were resolved when officers were provided with ICT equipment to enable them to work remotely.

However, audit testing of invoice payments during the period February 2020 to October 2020 has identified areas of poor practice as purchase orders are not always raised in advance of receiving the goods/services meaning the financial/accounting records have not been updated even though the Council is committed to make the purchase. Furthermore, delays to processing of invoices for payment has resulted in the Key Performance Indicator (KPI) target for payment of invoices within 30 days of the invoice date to be missed during 2020/21. Internal Audit are undertaking a survey of officers involved in raising purchase orders and processing invoices for payment on behalf of the Accounts Payable team to help identify the root cause of the issues highlighted during this audit.

f) Former tenant arrears (follow up audit)

A follow up audit of former tenant arrears was undertaken to review the implementation of the recommendations made in the previous Internal Audit report issued in April 2020 which was given limited assurance.

Progress has been made to implement the recommendations since the previous audit. The void property list is reviewed regularly, therefore, that high priority recommendation has been implemented. The other high priority recommendation made relates to the review of aged debts and this is in progress, being a larger piece of work. Priority is given to the recovery of current rent arrears so there is limited resource for the review of former tenant debts and still needs to be addressed. A sample review of former tenant accounts highlighted that new former tenant arrears are not always actively monitored once initial correspondence has been sent; this reduces the opportunity to maximise debt recovery. Debt recovery processes need strengthening to ensure former tenant arrears are actively monitored from the end of the tenancy with regular communication with the former tenant. Aged debtor reports should be used to ensure the most recent terminations are targeted as this increases the likelihood of recovery.

Write offs are being actioned and former tenant debt is reviewed regularly, approximately £677k of former tenant debt has been written off since April

2020. As at 01 April 2021, former tenant debt is around £878k, the majority of the outstanding debts being more than three years old.

Ongoing Internal Audit Work

5. A number of assignments in the Audit Plan are intended to provide advice and guidance to the Council throughout the year on current issues. As these assignments will not normally result in a single, traditional audit report Internal Audit will summarise its output here for Councillors' information:
 - a) Conducting an audit of a sample of Small Business (SB) & Retail, Hospitality & Leisure Grants (RHLG) and Local Discretionary Grants cases to provide assurance to the Government Department for Business, Energy and Industrial Strategy (BEIS).
 - b) Provided advice and support to the Council's Data Protection Officer regarding information governance policies and processes including the register of processing activities (ROPA) and data retention and disposals. Internal Audit are reviewing the current Freedom of Information and Environmental Information Regulations processes and associated policies to ensure a more efficient and joined up framework across the Council.
 - c) Facilitating the setup of a new officer led working group (chaired by the Head of Governance) which aims to drive forward the information governance agenda across all services in the Council. The group aims as per its Terms of Reference are:
 - i) Communicate and champion the information governance agenda, especially around data retention and disposals
 - ii) Monitor departmental RoPAs (Register of Processing Activities), privacy notices, data breaches
 - iii) Ensure the security and authorisation of information and data held
 - iv) Promote good Information Governance practices and policies
 - v) Ensure that colleagues understand and are equipped to comply with Information Governance processes and procedures
 - d) Continued overseeing the project plan for the implementation of the new HR/Payroll system. Phase 2 of the project includes third party payments and expenses. Internal audit has facilitated regular discussions between key departments to ensure there is a holistic approach to the project.
 - e) Completed the annual service assurance exercise consulting with Heads of Service and Third Tier managers as part of the annual governance process, to provide assurance to the Council and its stakeholders that

good governance arrangements are in place. The results of which have been fed into the Annual Governance Statement.

On-going Anti-Fraud Activities

6. The following information is supplied as part of the Committee's remit in overseeing anti-fraud and corruption at the Council.
7. The table demonstrates the positive work of the Housing Fraud Officer for this year and since they began in May 2018.

Table One – Housing Fraud Officer Work

Activity (fraud prevented)	May 2018 – April 2021	April 2021
Obtaining housing by deception	19	1
Subletting fraud	21	0
Abandonments	9	0
Right to Buy fraud	7	0
Properties recovered	34	1
Completed tenancy checks	391	14
Pending Court Actions (all are for non-occupation through the Civil Court)	6	3
Criminal Convictions	3	0

8. Since 2017 data matching with other councils in Essex as part of a pan-Essex commitment to identifying fraud and error in its Council Tax base continues. The total cumulative savings for Harlow to 31 March 2021 is £223,342.94 (total number of cases 2179). Of which £36,056 was identified in 2020/21.
9. Pre and post assurance checks take place regarding the business grants administered on the Council on behalf of BEIS (Department of Business, Energy and Industrial Strategy) and Essex County Council. This has reduced the risk of fraud, for example officers have identified a grant application fraud (no payments made) in the recent round of grants and have escalated what appear to be organised crime fraud applications to the National Anti-Fraud Network which will disseminate this to relate agencies including other councils.

Recommendation Tracker

10. The Audit and Standards Committee receives details of all overdue recommendations, plus any high priority recommendations from final reports, regardless of whether they are overdue or not.
11. The current tracker, as set out in Appendix B to the report, contains 20 recommendations, 18 of which have passed their due date. The high priority recommendations relate to two separate audits: parks and landscapes and

Equality Act and impact assessments (with the last of these having only recently been completed).

12. A comparison with previous periods is outlined in the table below:

Table Two - Tracker Comparison

Recommendation Priority	Number (as at June 2021)	Number (as at March 2021)	Number as (at November 2020)	Number (as at August 2020)
High - not yet due	2	3	0	0
High - passed due date	2	3	2	2
Medium - passed due date	16	12	12	15
Low - passed due date	0	2	1	2
TOTAL	20	20	15	19

External Quality Assessment (EQA)

13. In line with the Public Sector Internal Audit Standards (PSIAS) an external assessment of the Internal Audit function needs to be undertaken at least once every five years by a qualified independent assessor from outside the Council. The form of the external assessment and the qualifications and independence of the external assessor, including any potential conflict interest, must be discussed with the Audit Committee.
14. The last EQA was undertaken in 2016/17, the results of which were reported to the March 2017 Audit and Standards Committee meeting. The EQA concluded the Internal Audit function was compliant with the PSIAS and it compared favourably with regards to its peers both within local government and the wider industry.
15. The EQA may be accomplished through a full external assessment, or a self-assessment with independent external validation. Like last time the EQA will be achieved through the self-assessment route.
16. Following a tender process Gard Consultancy Services (GCS) has been appointed to undertake the EQA in July 2021. The results of which will be reported to the November 2021 Audit and Standards Committee. Fieldwork will include interviews with the Audit Chairs of Harlow, Broxbourne and Epping Forest as well as each Section 151 Officer.
17. GCS's managing director, Ray Gard, will be undertaking the review and is an experienced finance and governance manager with extensive public sector experience. His last role being Assistant Director of Finance – Audit, Fraud and

Risk Management at London Borough of Waltham Forest (2010-2016). There are no potential conflicts of interest between GCS with the Internal Audit Manager or Harlow, Broxbourne and Epping Forest Councils.

IMPLICATIONS

Environment and Planning (includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (includes ICT)

It is important that the organisation responds to and implements the recommendations flowing from the internal audit process in order to protect and improve the overall internal control environment of the Council.

Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive

Housing

None specific.

Author: Andrew Murray, Head of Housing

Community Wellbeing (includes Regeneration, Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (includes HR)

Internal Audit provides a key element of assurance within the overall Governance framework within the Council and it is important that recommendations flowing from internal audit recommendations are acted upon and implemented within reasonable timescales if reliance on internal controls and procedures is to continue.

Author: Simon Hill, Head of Governance

Background Papers

Internal Audit Plan and Internal Audit monitoring reports

Appendices

Appendix A – Audit Plan Monitoring

Appendix B – Audit Recommendation Tracker

Glossary of terms/abbreviations used

BEIS - Department of Business, Energy and Industrial Strategy

EQA – External Quality Assessment

GCS - Gard Consultancy Services

KPI's – Key Performance Indicators

PSIAS - Public Sector Internal Audit Standards

RHLG - Retail, Hospitality & Leisure Grants
ROPA - register of processing activities
SB – Small Business
SLA – Service Level Agreement

**Appendix A - Audit Plan Monitoring 2021/22
June 2021**

241

Risk Area	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High risk Recommendations	Medium risk recommendations	Low risk recommendations
Completion of 2020/21 plan									
HTS (Harlow Trading Services) Best Value Review progress	Corporate	12	In progress	■					
Quarter 1 & 2 2021/22									
Planning and building control (c/f from 2020/21) - Development Management	Planning and Environment	12	Scoping						
Cyber security	Finance	10	Scoping						
Housing overview - H&S inspections	Housing	15							
Waste - contract management	Planning and Environment	10							
Facility Management	Finance	15							
Quarter 3&4 2021/22									
Key Financial Controls - Treasury Management (c/f from 2020/21)	Finance	10							
HTS (Harlow Trading Services) Group governance	Housing	12							
Housing - HTS and annual service charge	Housing	20							
Key Financial Controls - Housing Benefits	Finance	15							
Key Financial Controls - Payroll	Governance	15							
Post implementation review of the new HR system	Governance	10							
Projects - Council housebuilding	Housing	15							
Business continuity follow up	Finance	10							
Not a specific audit									
Advice and guidance for Information Governance Group and Data Protection Officer	Governance	4	On-going	■					
Advice and guidance for the new HR system project	Governance	3	In progress	■					
Service/business planning and risk management	Finance	8	In progress	■					
Business grants - Post assurance verification checks	Finance		Not an audit	■	■	n/a	0	0	0
Totals		196		1	0	1	0	0	0
c/f carried forward									

Internal Audit Recommendation Tracker (High and Overdue)

Last Updated: 28 May 2021

Appendix B

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
242 Purchase Cards (2018/19) October 2018	3.1	<p>Policies are required to clarify the Council's approach for:</p> <ul style="list-style-type: none"> the provision of hotel accommodation, the provision of employee uniform and subsistence and hotel allowance claims. 	Medium	<p>Policies related to allowances , including those referred to within this audit are being reviewed or drafted as a suite of documents which will be presented to SMB by 30/12/18</p>	HR Manager/ Head of Governance	30/12/18	30/04/19 30/09/19 31/03/20 30/09/20 31/03/21 30/06/21 30/09/21	<p>Mar / May 19: Draft completed for review of HoS and SMB, recommendation by HR Manager accepted by SMB to expand coverage of policy to include "business travel" and mileage rates within the policy. For appropriate consultation with SMB/TU before implementation.</p> <p>Feb 20: Expenses for mileage rates agreed in principle. Employee uniform to follow HMRC requirements. Decision to be taken to SMB.</p> <p>May 20/July 20/Oct 20: Expenses rate for mileage has been agreed with TU at HMRC rates, communication underway with employees. The provision of uniform and relevant procurement if applicable under consideration. The new HR system is intending to pick up expenses from the new tax year (6 April 2021) and will have a policy to support this changeover. Expenses policy will need to take account of the new processes coming in phase 2 of the system implementation due in 2021. Subsistence cannot be claimed anymore (following the TU agreement – referenced last time) only reasonable expenses.</p> <p>Feb 21: The new HR system will pick up expenses from the new tax year (6 April 2021) and a policy will be brought forward to support this changeover. New expenses processes will come forward likewise.</p>	Overdue

Internal Audit Recommendation Tracker (High and Overdue)

Last Updated: 28 May 2021

Appendix B

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
								May 21: New Expenses policy being drafted; new HR system is now processing mileage claims; queries ongoing about VAT and VAT treatment currently being worked through with system provider.	
Complaints 2018/19 May 2019 243	1	Implement a mechanism whereby actions from the lessons learnt questionnaire are followed up. This could be achieved by SMB receiving a follow up action report.	Medium	A quarterly report is sent to SMB in regards to this.	Customer and Media Services Manager/ Head of Governance	30/06/19	31/03/20 31/12/20 01/10/21	<p>Oct 19: This has been happening since in a basic format since June 2019. It will give Heads of Service key trends but does require further development and this is likely to coincide with the action below.</p> <p>Feb 20: A report is still scheduled to go to SMB prior to 31 March 2020. This will outline a request to move to a two stage process and further work on a sustainable mechanism to learn from complaints.</p> <p>May 20/July 20/Oct 20: Report delayed due to Corona pandemic. At this stage it is not deemed urgent and therefore realistically would set new target of 31/12/20</p> <p>Feb 21: Not been progressed due to continued work being undertaken on Corona pandemic. Will be looked at end of Q2 2021 at the earliest.</p> <p>May 21: A full review of the complaints process is in progress.</p>	Overdue

Internal Audit Recommendation Tracker (High and Overdue)

Appendix B

Last Updated: 28 May 2021

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
244 Complaints 2018/19 May 2019	2	Consider moving to a two stage complaints process by presenting a paper to SMB (Senior Management Board) on this	Medium	This has been considered previously and will be raised again.	Customer and Media Services Manager/Head of Governance	30/06/19	31/03/20 31/12/20 01/10/21	<p>Oct 19: Although not progressed due to changes in service area, it has now been raised with Head of Governance with a view to take a report to SMB before 31/03/20</p> <p>Feb 20: A report is still scheduled to go to SMB prior to 31 March 2020. This will outline a request to move to a two stage process and further work on a sustainable mechanism to learn from complaints.</p> <p>May 20/July 20/Oct 20: Report delayed due to Corona pandemic. At this stage it is not deemed urgent and therefore realistically would set new target of 31/12/20</p> <p>Feb 21: Not been progressed due to continued work being undertaken on Corona pandemic. Will be looked at end of Q2 2021 at the earliest.</p> <p>May 21: As above, a full review of the Council's approach to dealing with complaints is in progress.</p>	Overdue
Responsive Housing Repairs 2018/19 August 2019	2b	Post inspections completed on more complex housing repairs should be formally documented and retained.	Medium	Agreed. Customer Satisfaction Surveys are currently sent out to tenants on a sample basis. The sample size will be increased to ensure that the quality of repairs works is completed to a satisfactory standard.	HTS Operations Director and the Council's Housing Operations Manager	30/09/19	31/01/20 30/04/20 30/09/20 31/01/21 30/10/21	<p>Oct 19: HTS carries out a 100% post inspection regime on all housing voids it completes (See enclosed handover forms to demonstrate this).</p> <p>There are ongoing discussions with HDC over who should be carrying out more detailed Post Inspections on completed Housing Repairs. Traditionally this has been carried out by Technical Services who transferred from HTS and now work for HDC.</p>	Overdue

Internal Audit Recommendation Tracker (High and Overdue)

Last Updated: 28 May 2021

Appendix B

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
245				Post inspections completed on complex repairs works will be formally documented and retained				<p>We will provide a further update once this is resolved.</p> <p>Feb 20: It has been agreed that HTS will carry out post inspections on repairs from 1st April 2020. These will be recorded formally.</p> <p>May 20: A response was not requested from Housing whilst Officers have been dealing with the current coronavirus situation</p> <p>July 20: A response will not be forwarded from HTS whilst they establish recovery under the current Coronavirus situation. This will be picked up as part of their recovery plans</p> <p>Oct 20: HTS (P&E) Ltd continue to establish recovery and aligned to recent Govt. restrictions (Tier 2 for Essex). This activity is recognised as a key quality control mechanism and is included in their implementation plan from learning the lessons from Covid 19 initial lockdown. This will be monitored through the shared operations group.</p> <p>Feb 21: HTS are still in the process of establishing their response/recovery processes following the third Covid-19 lock down, Post Inspections currently suspended due to this and Government restrictions. HTS currently only providing an emergency plus repairs service</p> <p>May 21: HTS (P&E) Ltd continue to</p>	

Internal Audit Recommendation Tracker (High and Overdue)

Appendix B

Last Updated: 28 May 2021

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
								establish recovery aligned to recent Govt. restrictions. A phased approach to internal inspections has recommenced and will be included in the HTS (P&E) repairs recovery plans which is expected to be published in June 2021.	
Responsive Housing Repairs 2018/19 August 2019 246	3a	All repairs job priority time changes should be recorded, authorised and the reasons why they were changed documented. This information should be shared with the Council when KPI data is submitted.	Medium	Agreed. The constraints of the Callsys system makes it difficult provide an audit trail of job priority time changes. The Council's Housing Asset and Business Systems Manager and the HTS Commercial Director will investigate if there approach to record job priority time changes.	Council's Housing Asset and Business Systems Manager and the HTS Commercial Director	30/04/20	30/09/20 31/01/21 30/10/21	<p>May 20: A response was not requested from Housing whilst Officers have been dealing with the current coronavirus situation</p> <p>July 20: HTS re-established the repairs service on 22nd June 2020. A response will not be forwarded from Housing whilst establishing recovery under the current Coronavirus situation.</p> <p>The SSC has requested a report back at the next Committee meeting. Covid-19 recovery is being established and this will mean the Council diary will be adapted and meeting dates realigned.</p> <p>Oct 20: HTS (P&E) Ltd continue to establish recovery and aligned to recent Govt. restrictions (Tier 2 for Essex). This activity is recognised as a key quality control mechanism and is included in their implementation plan from learning the lessons from Covid 19 initial lockdown. This will be monitored through the shared operations group.</p> <p>Feb 21: HTS P&E are continuing to establish their response/recovery</p>	Overdue

Internal Audit Recommendation Tracker (High and Overdue)

Last Updated: 28 May 2021

Appendix B

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
247								processes and are undertaking emergency plus repairs activities. Service quality is being monitored through Joint Operational meetings and Housing Portfolio meetings. May 21: HTS P&E are establishing their repairs recovery plan to deal with the back log from the Covid 19 pandemic. This will be published in June 2021 as part of the wider Council strategic recovery map.	
	3b	The reasons behind the housing repairs job priority times are allocated should be investigated to ensure that the appropriate timescales are given.					30/09/20 31/01/21 30/10/21	May 20: As above July 20: As above Oct 20: As above Feb 21: As above May 21: As above	Overdue
	3c	Repairs operatives working hours should be extended to increase efficiency and flexibility of the housing repairs service.					30/09/20 31/03/21 30/10/21	May 20: As above Oct 20: HTS has introduced this for heating repair staff and currently in negotiations with the other operatives. Feb 21: Delayed due to the pandemic and restricted working practices, HC have requested a timetable for implementation to align with resuming full service delivery. May 21: An implementation timetable will be published at the Shareholder Sub Committee meeting in September 2021 as part of the Repairs Customer Access Plans.	Overdue

Internal Audit Recommendation Tracker (High and Overdue)

Last Updated: 28 May 2021

Appendix B

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
	3d	Performance improvements made as a result of changes to the housing repairs service should be demonstrated, monitored and reported as part of the HTS governance and scrutiny arrangements.					30/09/20 31/01/21 30/10/21	<p>May 20: As above</p> <p>July 20: As above</p> <p>Feb 21: As above</p> <p>May 21: HTS P&E are establishing their repairs recovery plan to deal with the back log from the Covid 19 pandemic. This will be published in June 2021 as part of the wider Council strategic recovery map.</p>	Overdue
<p>Harlow Playhouse overspends 2018/19 March 2020 248</p>	1	Produce a report to SMB and Councillors to consider the direction of travel for the playhouse. To include consideration of the importance of the relationship with the Arts Council.	Medium	Business Plan has been produced and the process of getting the plan adopted has been included in the corporate plan as an objective of the coming municipal year.	Head of Governance	31/12/20	31/03/22	<p>Feb 21: As a result of Covid-19, the 2020/21 milestones have moved to 2021/22 in line with the revised Governance business plan.</p> <p>May 21: The Playhouse budget outturn will not be overspent for 20/21. As a result of Covid-19 the Playhouse has been shut most of the last year. Funding of £500k has been secured from the Arts Council as part of the Covid-19 culture recovery fund. The business plan has been delayed and is included in the Governance Service plan for 21/22.</p>	Overdue
<p>Business Continuity 2019/20 May 2020</p>	1	The analysis by function that shows resource requirements should be distilled down to individual person, PC and connection requirements.	Medium	Accepted	Operations Manager	31/03/21	31/03/22	<p>May 21: Current working environment means that this data is irrelevant as working environments are predominantly remote and therefore risk of large scale disruptions reduced; interim arrangements to address localised issues have been mitigated through arrangements in place to allow some in office working/additional equipment to be issued where BC</p>	Overdue

Internal Audit Recommendation Tracker (High and Overdue)

Appendix B

Last Updated: 28 May 2021

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
								events occur in individual remote working environments. Once plans for future ways of working are finalised new BC assessments will need to be carried out accordingly and this recommendation will be incorporated.	
Business Continuity 2019/20 May 2020	2	The "service plan" tab on the service area plan spreadsheets be fully completed in every case.	Medium	Service Planning for 20/21 will be changeable due to Covid 19 and we are likely to remain in BC scenario for majority of the current year.	Heads of Service	30/04/21	30/09/21	May 21: This will be carried out following 2021/22 Service Planning process.	Overdue
Business Continuity 2019/20 May 2020	3	The recovery detail, both in the corporate plan and in the service area plans define the IT systems individually and specifically and a prioritised list for recovery for them developed.	Medium	Changes will be made as part of review process of the COVID 19 BC scenario and applications of plans and processes during this time.	Operations Manager/Senior ICT Manager	31/03/21	31/03/22	May 21: Team level Covid specific BC Plans were carried out in September 2020 and have been reviewed in March 2021; IT systems have been considered as part of these. Once plans for future ways of working are finalised new BC assessments will need to be carried out accordingly and this recommendation will be incorporated.	Overdue
Corporate Health and Safety 2019/20 May 2020	3	Third Tier Managers be reminded to ensure that all risk assessments are carried out and reviewed at least annually thereafter. Further, the Health and Safety Team to co-ordinate this.	Medium	Options to provide additional resources to reinstate annual logging in the H&S team of risk assessments by third tier managers will be identified and presented to the Head of Planning and Environment.	Environment & Licensing Manager and Head of Environment & Planning	30/09/20	31/03/21 30/09/21	Oct 20 and Feb 21: Whilst additional staff resources to support the corporate Health and Safety function, policy advice and support for managers across the authority in response to the COVID-19 emergency has been an overriding priority to which resources have been devoted. This resource allocation appears likely to continue to be necessary pending the resolution of the emergency. The position will be reviewed however	Overdue

Internal Audit Recommendation Tracker (High and Overdue)

Appendix B

Last Updated: 28 May 2021

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
				Subject to resources audit of risk assessment targeted by risk will be reinstated		31/03/21	30/09/21	before the close of the municipal year May 21: Whilst additional resources to support the corporate Health and Safety function continue to be made available from within existing service budgets, the demands placed on the team by the ongoing change in circumstances and central government advice remain high and absorb available capacity. The position will again be reviewed following the lifting of the majority of COVID-19 restrictions.	
Harlow Gilston Garden Town 2019/20 July 2020	3	A data sharing agreement should be drawn up to cover any personal or commercially sensitive data which may be shared between the councils as part of the Garden Town project.	Medium	A data sharing agreement will be developed and entered into by all the HGGT partners.	HGGT Director HGGT Programme Manager	31/12/20	31/03/21 30/06/21	Feb 21: HGGT legal advisors, Weightmans, have been instructed to develop a partnership agreement for the HGGT. The most appropriate agreement is currently being evaluated. May 21: A draft data sharing agreement has been prepared for the Partners by Weightmans and is currently being considered by one of the Partners' internal legal team.	Overdue
Data retention and disposals 2019/20 October 2020	4	Housing need to start preparing for an eventual document management system by initiating a project to rationalise its paper files. This in turn will ensure that data held within the housing paper files is compliant with data	Medium	We will start rationalising our files immediately by adding and implementing the checklist to each file as it is taken out and implementing the training being provided. It should be recognised this is	Head of Housing/ Senior Housing Operations Manager (People)	31/03/21	31/01/22	May 21: Housing has implemented the file checklist together with the training and awareness of officers of the required documents to be contained within the tenancy files. The service is still waiting clarification from the Council's DPO officer regarding retention and disposals. A plan will be established with a project to rationalise the manual housing files when staff return to the office on a	Overdue

Internal Audit Recommendation Tracker (High and Overdue)

Appendix B

Last Updated: 28 May 2021

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
251		<p>protection legislation.</p> <p>In the short term this is being achieved by:</p> <ul style="list-style-type: none"> * The introduction of a checklist of what documents should be retained within housing files and for how long * Pilot of rationalising paper Housing Options files being facilitated by the Council's Data Protection Officer bringing in an external lawyer for advice. 		a long term project as the majority of staff continue to work remotely due to Covid-19.				more regular basis aligned to corporate requirements (Covid secure). It is expected for a plan to be established in January 2022.	
Parks and landscapes 2019/20 October 2020	1.1	Routine inspections should be implemented and documented to demonstrate the Council has a process for managing trees.	High	<p>The council will assist HTS to produce a robust maintenance strategy for the trees. A wider Tree and Landscape Strategy Document is also required for the Harlow area. This will include more than tree maintenance, but ideally would influence a maintenance strategy.</p> <p>However, due to not yet having that</p>	Environment and Licensing Manager Senior Landscape Officer	31/03/21	30/09/21	<p>Feb 21: HTS has engaged a leading Arboricultural consultancy to carry out routine tree inspections, incorporating robust condition, value, and risk assessments. Inspection outcomes are now comprehensively documented and retained in an interactive database to which HTS has access and from which data may be downloaded for transfer to the Council's GIS system. This will form the foundation of the tree management strategy the need for which is identified at 1.2</p> <p>May 21: HTS continues to employ an external contractor to reinforce the existing team structure to undertake</p>	Overdue

Internal Audit Recommendation Tracker (High and Overdue)

Appendix B

Last Updated: 28 May 2021

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
252				document the production of a tree maintenance programme should go ahead regardless. Any adjustments that may be required based on a wider strategy can be incorporated at a later date. However if we work closely with HTS (including Tim Moya associates) the programme should be suitable for the most part.				routine inspections. A monthly update is provided by HTS for outstanding tree inspections.	
	1.2	<p>The Council will work with HTS to ensure a tree maintenance strategy is agreed and implemented, in accordance with the contract specification.</p> <p>The tree maintenance strategy should ensure:</p> <p>a) Tree surveys are completed to provide a complete record of the type and condition of the Council's tree stock</p> <p>b) Risk assessments are undertaken to identify and manage risks to public safety</p> <p>c) Remedial work is identified and managed in order of risk.</p>				31/03/22	<p>Feb 21: In working with HTS to develop a tree strategy for Harlow, it has become evident that improved baseline data is required in order to properly assess the implications of potential policy options. A town-wide condition survey led by HTS will allow the issues costs and values to be quantified so that the cost and effect of options can be reasonably estimated. This will delay adoption of formal policy, but will provide a robust basis for informed policy making. It is anticipated that a budget cost for the most pragmatic approach to this work will be arrived at by 31/03/2021, and subject to the identification of resources, that work will commence in the course of 2021/22.</p> <p>May 21: HTS has drafted a proposal for the use of an external provider to conduct a risk based town wide survey of the age and condition of all trees. The Council is also looking at options for a real time database to record tree information.</p>	Overdue	
Parks and landscapes 2019/20 October 2020	2.1	2.1 Outstanding tree work identified in the improvement action plan should be completed.	High	2.1 Outstanding works are being prioritised and worked through in-conjunction with the	Operations Director (HTS)	31/12/20	30/09/21	Feb and May 21: Two further periods of "lockdown" since early autumn 2020 have restricted HTS's capacity to complete programmed tree works. Further, improvement in the	Overdue

Internal Audit Recommendation Tracker (High and Overdue)

Appendix B

Last Updated: 28 May 2021

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
				client. Regular updates are provided and the CAM system is now being regularly updated. The services of a consultant are being employed to speed up the inspection process.				consistency of inspections delivered as a result of 1.1 above has over time resulted a higher rate of recommendations for works in the long medium or short term. Thus despite a year on year increase in the rate at which jobs were completed, HTS has not to date succeeded in completing all outstanding work. HTS has increased arboricultural capacity by engaging qualified subcontractors to reduce the quantity of work on hand.	
Parks and Landscapes 2019/20 October 2020	3	The Council will work with HTS to ensure an annual landscape programme is implemented in accordance with the contract specification. The annual programme will define planned activities by season for planting and maintenance to aid transparency, improve efficiencies and the performance monitoring process.	Medium	The Council will work with HTS to ensure the landscape/winter programme is agreed and implemented in accordance with the contract specification. Target date for this year's winter programme shouldn't be next spring but to have a rolling, approved format etc. can be set as a March 21 date.	Environment and Licensing Manager Senior Landscape Manager	31/03/21	31/12/21	Feb and May 21: A temporary digital system is now in use. Development of a system postponed until works can resume to a normal service. Due to Covid/ lockdown/ safe working etc. the works are focusing on essential priority works. This will be reviewed regularly.	Overdue
Key Financial Controls – Fixed Assets 2020/21 December 2020	1	A full reconciliation of ICT Assets purchased in 2019/20 and 2020/21 to date (Per Technology Forge) to the ICT Inventory and 'Homeworking'	Medium	The Technology Forge system will be compared to ICT Inventory and 'Homeworking' spreadsheet, and any discrepancies	Principal Finance Manager	31/03/21	31/08/21	May 21: The Technology Forge system will be reconciled to the ICT inventory. This will be done at a high level based on total capital expenditure on ICT for each year as we do not record all the individual items purchased in the Technology	Overdue

Internal Audit Recommendation Tracker (High and Overdue)

Appendix B

Last Updated: 28 May 2021

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		spreadsheet be undertaken, with any discrepancies investigated. Any items that cannot be identified be reported upon to the S151 Officer so that a decision can be made regarding these being written-off Annual reconciliations to take place thereafter.		considered as recommended.				Forge system. Instead a record of individual ICT equipment purchased each year is kept by the IT service, being more efficient. It is this total capital expenditure amount for the year that is then depreciated in accordance with policy. This approach is felt to be appropriate for individual items that would fall below the de minimis value if recorded separately. Any large items e.g. replacement or purchase of a full IT system would be recorded separately.	
<p>Equality Act and Impact Assessments 2020/21 February 2021</p>	1	<p>As a priority, the Equality Working Group should finalise and implement the action plan. This includes a review of the draft objectives and actions to ensure they fully support the Council's Corporate Plan equalities goals. To enable progress to be evaluated, targets should be assigned to the actions, the action plan monitored by the EWG, and progress reported to the Corporate Governance Group to update the risk register.</p>	High	<p>A review of the draft objectives and actions has been completed.</p> <p>Once approved the EWG will ensure the publication of the Plan and commence its implementation.</p> <p>A timeline for reporting progress of the Plan to the Corporate Governance to be agreed.</p>	Head of Governance/ Corporate and Democratic Services Manager	Following the first Cabinet meeting of the municipal year		<p>May 21: The Policy has been added to the Forward Plan for the Cabinet un June 2021. The documents have been reviewed by the Third Tier Managers.</p>	In progress

Internal Audit Recommendation Tracker (High and Overdue)

Appendix B

Last Updated: 28 May 2021

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
255 Equality Act and Impact Assessments 2020/21 February 2021	2	In line with the Equality Act 2010, the Council should develop a consistent and proportionate procedure for assessing and recording the equalities impacts of policies (using an EIA or other agreed methodology) to be completed before a proposed policy is adopted.	High	The current process (Cabinet & Committee Reports, Decisions) to be reviewed to reflect the new process/ arrangements.	Head of Governance/ Corporate and Democratic Services Manager	Following the first Cabinet meeting of the municipal year		May 21: The Policy has been added to the Forward Plan for the Cabinet un June 2021. The documents have been reviewed by the Third Tier Managers	In progress
255 Equality Act and Impact Assessments 2020/21 February 2021	3	To drive equality improvements and ensure buy-in from managers across the Council, there should be an 'equality champion' at Senior Management Board. Key messages from the Equality Working Group (EWG) should be reported to the Third Tier Managers meeting to be filtered down to staff.	Medium	(a) Head of Governance to be Equality Champion' at Senior Management Board (SMB). (b) An EWG Group has been established. (c) The Chair of EWG to develop key messages for the Third Tier Managers and their Teams. (d) The EWG will be expanded to include participants from the protected characteristics to work on the Action Plan and build on the other work required to	Head of Governance/ Corporate and Democratic Services Manager	(a) Completed (b) Completed (c) 28/02/21 (d) May 2021 onwards	(c) 31/05/21 (d) 31/05/21	May 21: (c) This has not been progressed as quickly as needed due to continued work being undertaken on Corona pandemic and the Elections. This will now fall in line with (d) and will be underway by late May 2021	(c) Overdue (d) Overdue

Internal Audit Recommendation Tracker (High and Overdue)

Appendix B

Last Updated: 28 May 2021

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
				meet the PSED.					
Equality Act and Impact Assessments 2020/21 February 2021	5	To comply with the Public Sector Equality Duty (PSED) the Council should publish annually its equality objectives and the progress made towards achieving them. This could be achieved through the publication of an Equalities Annual Report.	Medium	An interim report is being compiled for publication in April 2021.	Head of Governance/ Corporate and Democratic Services Manager	30/04/21	30/06/21	May 21: This is currently being developed and should be ready for publication soon.	Overdue

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **16 JUNE 2021**

TITLE: **RISK MANAGEMENT REPORT**

LEAD OFFICER: **STUART MOSELEY, INSURANCE AND RISK
MANAGER (01279) 446215**

RECOMMENDED that:

- A** The Committee notes the Strategic Risks and risk scores as at 31 March 2021
- B** The Committee notes variations between residual risk scores and agreed risk appetite threshold levels together with current and future risk controls

BACKGROUND

1. The Audit and Standards Committee's terms of reference includes the responsibility to monitor the effective development and operation of risk management within the Council.
2. The Council's Risk Management Strategy (current Version 3.11 : May 2021) appended states that the responsibility of the Audit and Standards Committee is to:
 - Monitor the effective development and operation of risk management in the Council.
 - Understand, scrutinise and endorse the Council's risk management strategy and monitor the Council's risk appetite.
3. In order to facilitate monitoring of risks against risk appetite, risk appetite threshold levels are required to determine risk score trigger points for each risk appetite definition. This provides a defined risk score against which risk owners can monitor and manage their risks.
4. In March 2020, the Audit and Standards Committee agreed risk appetite threshold levels proposed by the council's Senior Management Board and agreed to raise threshold for 'Clean and Green Environment' risks from moderate to hungry. Risk Appetite Definitions and agreed threshold levels are shown in Appendix 3 attached, which includes risk appetite definition for the additional corporate priority 'Resilience and Recovery' agreed in 2020.

5. In July 2020, a risk workshop was undertaken with Senior management Board to ensure the council's Strategic Risks were still satisfactorily aligned with the Corporate Plan Priorities and Principles.

STRATEGIC RISKS UPDATE AS AT 31 March 2021

6. Appendix 1 details the council's Strategic Risk Register as at 31 March 2021.
7. Appendix 2 compares the council's strategic risks with the agreed risk appetite threshold for linked council priorities and principles.
8. Review of risk appetites and their respective thresholds is an iterative process. Therefore, while the thresholds facilitate monitoring of risks in a more structured way, it is also important to recognise that the limits and triggers require calibrating as well. Therefore, a review of risks against risk appetite should not only consider whether the risk has adequate controls but should also consider whether the threshold for the risk appetite definition has been set at the correct level.
9. Furthermore, risks which exceed the risk appetite threshold may not necessarily be poorly controlled but may be subject to factors outside the council's control.
10. While the additional actions and controls have been stated for each risk, several strategic risks are currently significantly higher than the council's risk appetite. It is therefore of merit to provide some additional commentary as follows (Appendix 4 – Risk Rating Matrix has been attached for purposes of explanation of likelihood and impact levels):
 - CR01 – Financial Resilience (+13): the council has stated its risk appetite as 'Cautious' which provides for a threshold level of 5 (Likelihood 2, Impact 2). In terms of the Risk Matrix, likelihood of the risk materializing has only moved one level from unlikely to moderate. However, the impact to the council should the risk materialize is now perceived to be at level 4 'Major'. There are strong financial controls and monitoring but the current risk level reflects the concerns around the Covid epidemic, Government fiscal policy and the possible future requirement to call upon council reserves. The council has approved a three year MTFP which reflects that there are projected budget gaps over the period 2021/22 to 2023/24.
 - CR06 - Lack of Resources and Capacity, Council and key partners (+10): it should be noted it is perceived that the additional risk controls to be implemented recognise that the foreseeable risk score will be reduced by 9. The current risk score reflects that, whilst repairs and maintenance have been reinstated following issues presented by Covid-19, the landscapes programme is still subject to ongoing challenges which are being addressed.
 - CR08 – Equality and Diversity (+10): the current risk score shows that, whilst likelihood of the risk materializing remains in line with risk

appetite threshold, it is perceived that impact from the risk materializing would be more severe. This reflects the possible increased level of complaints and possible reputational damage should such risks materialize.

- CR11 – Business Resilience risk score is 13 which is the threshold level for ‘Open’ risk appetite. Given the challenges faced through the Covid-19 pandemic, the council has applied itself well to address both strategic and operational issues to ensure continuity of services and keep this strategic risk under control.

NEXT STEPS

11. The Senior Management Board will continue to review the strategic risks through 2021/2022 to ensure they reflect the Council’s priorities.
12. Risk Appetite will be reviewed as part of the Corporate Plan process.
13. It is intended to undertake a Risk Maturity Assessment during 2021/2022 to provide an internal stakeholder view on the current strength and relevance of the council’s existing risk oversight processes. The results of this risk maturity assessment will help to identify what steps are necessary to advance risk management within the council.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

None Specific

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

None Specific

Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive

Housing

None Specific

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

None Specific

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

Risk Management is an important part of the council’s overall governance Arrangements, therefore the Audit and Standards Committee should consider the adequacy of overall arrangements on a regular basis.

Author: Simon Hill, Head of Governance

Appendices

Appendix 1 – Strategic Risks as at 31 March 2021

Appendix 2 – Strategic Risks scores versus Risk Appetite thresholds

Appendix 3 – Risk Appetite definitions and reporting thresholds

Appendix 4 – Risk Rating Matrix

Appendix 5 – Risk Management Strategy V3.11 – May 2021

Appendix 1

Corporate Plan	Objective	Risk Name	Risk	Background	Likelihood	Impact	Risk Owner	Inherent Risk Score			Controls already in place	Residual Risk Score			Foreseeable Risk Score			Additional actions to mitigate risk (ATs)	Target Date																		
								Likelihood	Impact	Score		Likelihood	Impact	Score	Likelihood	Impact	Score																				
Corporate Priorities	More and better housing	CR03 - Lack of suitable housing numbers and mix of housing	If the town lacks suitable housing and also does not provide a suitable housing mix, it will not attract or retain residents	The town requires a suitable housing mix to attract new and retain existing residents for an evolving and sustainable community. Supply must be balanced with demand and housing needs, taking into account National Housing and Planning Policies. As part of this mix, housing for local people that is genuinely affordable remains a high priority for the Council.	Lack of funding to build new homes. Lack of available land. Low land values. Lack of Local Plan (or non-approved due to failure to demonstrate Duty to Cooperate). Reliance of housing developers to build new approved schemes will limit the supply of affordable housing as a proportion of private developments. Government policy in relation to social housing may limit the supply of affordable housing.	Lack of Local Plan could create lack of local control or direction. Lack of suitable housing may lead to people moving out of area. Inability to generate sufficient affordable housing impact on night population mix.	Andrew Bramidge	Likely (4)	Major (4)	21	Local Plan Examination took place March/April 2019 and the Inspector's initial report was received in December 2019. Proposals for modifications to the Plan with adoption expected summer 2020. Due to the Covid 19 pandemic the consultation period on the modifications to the Local Plan was extended to the end of May. Following this, the Planning Inspectorate asked all local authorities to provide more evidence on household projections and this work is complete during July and August. The Inspector's draft final report was received in October and the Local Plan was formally adopted at the Council meeting on 10 December 2020.	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14	Direct delivery of council housing. Delivery of Harlow and Gilton Garden Town will spur the development of a wider housing offer.																			
								CR04 - Lack of adequate Council housing	If the Council does not provide adequate Council Housing it will not be able to fulfil housing needs.	Investment in the existing Council Housing stock is required to fulfil housing needs, maintain Decent Homes standards and improve housing conditions and Housing Options for tenants.		Lack of investment in Council Housing stock. Changes in government policy in relation to housing finance affects ability of the Council to maintain Decent Homes Standards.	Lack of suitable mix and quality of Council Housing stock. Increasing numbers on Housing Needs Register, impact on homelessness.	Andrew Murray	Moderate (3)	Moderate (3)	13			Most recently approved Housing development pipeline approved by Cabinet in January 2020 outlines the funding and programmes for Housing delivery which includes Council Housing proportions. House purchase scheme (45) adding additional Council housing stock approved by Cabinet in September 2020 was completed by 31 March 2021. Response to Covid-19 Pandemic currently in place. Recovery Plans being reviewed and aligned to council priorities and governance. Work processes adapted to take account of Covid 19 guidance and risk assessment. Work from home arrangements have been and likely to continue in the short term. Bad debt provision being increased in the short term as benefit claims increase and lock down arrangements continuing.	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	Proposed implementation of LDP. Approved action Plans from regular Landlord Survey. HTS Group Ltd (H&R Company) governance established in 2018. In March 2020, updated governance approved by Cabinet aligning to regeneration/corporate plan priorities. Implement any proposed changes to HTS Property & Environment/Group Board structure and Housing and Regeneration Strategy. Continuation of planning and modelling of HRA business plan.										
															CR09 - Provision of repairs, maintenance landscape and streetscene services	If HTS (Property and Environment) Limited is unable to provide its contracted services, then Harlow Council may be unable to comply with its obligations with regards those services	Repairs, maintenance, landscape and streetscene services are currently contracted to HTS (Property and Environment) Limited. If HTS becomes unable or finds itself unable to provide its contracted services, Harlow Council will need to arrange alternative provision of those contracted services to meet its obligation to residents				Capacity of HTS management to manage contractual obligations within agreed budget. Non-compliance with outsourced statutory obligations. Unsatisfactory delivery of contracted services. Capacity of HDC management to adequately monitor HTS performance.	Significant reputational, contractual and compliance implications if HTS are unable to comply with contractual obligations. Additional costs, fines or penalties from inadequate or unsatisfactory service provision. Financial impact if HDC are required to take management of HTS due to lack of capacity of HTS management. Procurement of new contractor(s) required if HTS became unsustainable as a business.	Andrew Murray	Unlikely (2)	Major (4)	14			Covid-19 recovery plan approved by Member working group September 2020. Updated risk register with Covid-19 implications mitigated in October 2020. Updated Business Continuity Plan reviewed October 2020. Services Agreement 2017/18. Contract wording and specifications conform contractor requirements. Monthly performance reviews involving Portfolio holders and three year Best Value review. HTS have regular reviews of Efficiency Plan and Risk Register. HTS risk register reviewed quarterly at SMBHTS quarterly meetings. There are regular Governance Audits to ensure effectiveness and value for money. Last Audit March 2019 with outcome of Substantial Assurance. Response to Covid 19 Pandemic currently in place. Recovery Plans being reviewed and aligned to council priorities and governance. Work processes adapted to take account of Covid 19 guidance and risk assessment. Work from home arrangements have been and likely to continue in the short term. Bad debt provision being increased in the short term as benefit claims increase and lock down arrangements continuing.	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14	Business Continuity Plans required relating to provision of the contracted services.	
																								Regeneration and a thriving economy	CR02 - The Harlow Offer	If the Harlow Offer is poor, then the town will fail to attract new or retain current businesses				A lack of private sector investment and/or disinvestment by retailers and landowners in the Town Centre could lead to a further decline in its attractiveness as a shopping and leisure destination. The Harlow Offer is key to retaining and attracting new investment in to the town	The macro economic impact on the retail sector is very uncertain. Low land values hinder investment. The retail sector has been significantly affected by Covid 19, and is unlikely to return to the position prior to the outbreak.	Delays or failure to deliver regeneration. Damaged reputation and perception towards the town. Potential loss of jobs and employment. Reduction in amount of income to the Council.	Jane Greer	Moderate (3)	Major (4)		
Wellbeing and social inclusion	CR05 - Inability to fulfill Community Wellbeing role	If the Council is unable to fulfill its community wellbeing role, then Harlow Council may be unable to provide its discretionary services	Discretionary services are dependent on the Council's community leadership role which relies to some extent on production and co-operation of other agencies and organisations	Health and wellbeing of the community could be affected due to inability to bring together partners and agencies to deliver services. Discretionary services budget likely to be restricted or removed.	Residents unable to access adequate services. Frustration of community and agencies in Harlow. Perception of Harlow Offer could deteriorate.	Jane Greer	Moderate (3)	Moderate (3)	13	Health and Wellbeing Strategy, Safer Harlow Partnership, Regeneration Strategy	Moderate (3)	Moderate (3)	13	Unlikely (2)	Moderate (3)	9	Crime and anti-social behaviour partnership. Communications Plan (e.g. to tackle perceptions). Review of financial sustainability and delivery models of discretionary services. Mental Health Strategy.																				
							A Clean and green environment	CR06 - Lack of Resources and Capacity, Council and key partners	If the resources and capacity of the Council and key partners are diminished, the Council may not be able to fulfill its community aspirations		Tension between expectations of residents, priorities and resources available for street cleaning, waste & recycling, unadopted highways maintenance & landscaping requires careful prioritisation and management of expectations	Lack of resources and/or capacity deliver services, failure to communicate objectives and initiatives, customer expectations not managed proactively actions e.g. increase fly tipping reduced resident satisfaction.	Environmental services actions delayed, recycling rates stagnate or diminish. Resources diverted to reactive rather than proactive actions e.g. increase fly tipping reduced resident satisfaction.	Andrew Bramidge	Moderate (3)	Major (4)			18	Essex Waste Management Plan, Waste Collection Contract, Street Scene 'contract' with HTS, Street Scene with HTS (however due to Covid 19 much of the landscape programme was frozen part of 2020/2021). Town Park project with NEPP. New Landscape Officer post recruited in January 2020.	Moderate (3)	Major (4)	18	Unlikely (2)	Moderate (3)	9	Devise and implement new project plan for landscape and streetscene maintenance and improve. Implement actions from resident satisfaction surveys and budget survey, increase transparency. Communications Strategy. (Continue review of scope and spec of services). Work with HTS to re-implement landscape programme affected by Covid-19 restrictions.										
Successful children and young people	CR07 - Ability to support children and family aspirations	If we are unable to support children and young people's (and their families) aspirations, this will adversely impact the skills and educational attainment of school leavers.	Engagement of young people (and their families) and opportunities for all in education, employment and the community will provide opportunities to raise aspirations and the current skill base leavers.	Lack of leisure opportunities for children, youth services, health services, clubs e.g. scouts. Low levels of 'school readiness'.	Lack of educational attainment and aspirations leading to restriction in future employment opportunities for school leavers.	Jane Greer				Moderate (3)					Moderate (3)	13	Signposting for residents (often through ECC), Partner agencies (statutory, voluntary, schools), promotion of and support to LUTC, APU and college. Youth Council, Harlow School Readiness project and other similar initiatives. Ensure council activities are available "virtually"	Unlikely (2)	Moderate (3)		9	Unlikely (2)	Moderate (3)	9	Support creation and development of apprenticeships for young people. Engage with a range of partners to assist families with complex needs. The Harlow School Readiness project has been extended across town												
							Being the Community Leader	CR10 - Inability to fulfill Community Leadership role	If the Council is unable to fulfill its community leadership role, then Harlow Council may be unable to champion the need for new infrastructure to enable Harlow to grow	The Council should take a leading role in promoting Harlow as a great place to live and work, and to champion the need for new infrastructure to enable Harlow to grow	Lack of lobbying, promotion and funding. Lack of buy-in from stakeholders and partners	Stagnation, lack of town development and growth, lack of identity and recognition	Brian Keane	Likely (4)	Major (4)	21		Climate Emergency measures, lobbying for new infrastructure e.g. hospital, road network, Town Centre Improvements and Funding Town Centre Award	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14			Continue to lobby and liaise with stakeholders										
Sound Resource Management	CR01 - Financial Resilience	If a sustainable budget is not secured, then the Council will lack financial resilience	The Government's fiscal policy in respect of deficit reduction reducing public sector funding combined with the Council's limited ability to raise income could result in the Council's financial resilience being at risk. In addition uncertainty exists in respect of the Government's plans for the local government funding reform and business rates reversion	Options for increasing revenue to enable the Council to compensate for reduced Government Funding are becoming extremely limited. Given budget reductions already made further budget savings will be extremely challenging if services are to be protected. Pressures are now evident not only in the General Fund but also the Housing Revenue Account as a result of Government policy on rents.	The impact of any further significant budget cuts to enable a balanced budget to be delivered could have a major impact on delivery of the Council's corporate objectives. Over the period of the MTFs there could be an impact on Council's ability to meet statutory responsibilities and community aspirations in respect of discretionary services.	Simon Freeman								Likely (4)	Major (4)	21	Development of the Council's MTFs and the detailed planning of future budgets is now undertaken early in the financial year and is an on-going process rather than an annual review and is linked with the monthly Budget Monitoring process. The council has approved a three year MTFP which reflects that there are small projected budget gaps over the period 2021/22 to 2023/24. Ongoing uncertainty stems from both the proposals regarding the new Government Funding distribution methodology and the actual level of resources to be distributed through the mechanism. In addition, the impacts from Covid-19 are still unclear and could impact on baseline funding.		Moderate (3)	Major (4)	18	Moderate (3)	Moderate (3)	13	Whilst the pressures generated in the Council's grant income are largely driven by Government policy the financial situation will be monitored at a high frequency. The Administration will continue to be provided with detailed financial information and will be appropriately supported in reaching decisions upon how these financial challenges can be faced.												
							Equalities and Fairness	CR08 - Equality and Diversity	If the Council does not promote Equalities and Fairness, then residents and employees may not enjoy an environment that is free from discrimination, harassment, victimisation and bullying	The aims of equality and diversity are to ensure that everyone has access to the same opportunities and the same, fair treatment. The Council is committed to improving the outcomes for all and preventing any form of discrimination and works to meet all its legal duties under the Equality Act 2010 regarding equality and diversity	Decision making not open, transparent or fair. Lack of recognition of diversity of Harlow Reputation	Discrimination, harassment and victimisation and other conduct prohibited by the Equality Act.	Brian Keane	Almost Certain (5)	Major (4)	23		Corporate Equalities Policy. Staffing Policies and other training. Equality training for all Officers and Councilors Partnership working with the Health and Wellbeing Board Procurement Strategy reflects values of 'Fairness and Equality Men's Shed project 'time credit' scheme in conjunction with Essex County Promotion of volunteering amongst Harlow's residents.	Moderate (3)	Major (4)	18	Moderate (3)	Major (4)	18			Implement the Corporate Equalities Action Plan Publication of information relating to people who share protected characteristics who are employees and people protected by the Council's policies and procedures. Implement recommendations from the Religious Diversity Working Party.	Annual review 31/03/21									

Corporate Plan	Objective	Risk Name	Risk	Background	Likelihood	Impact	Risk Owner	Likelihood	Impact	Score	Controls already in place	Likelihood	Impact	Score	Likelihood	Impact	Score	Additional actions to mitigate risk (4Ts)	Target Date
	Resilience and recovery	CR11 - Business Resilience	If the Council does not have adequate Business Continuity arrangements, then it may struggle to recover from disasters or emergencies	Having a comprehensive Business Continuity Plan ensures the Council is prepared for emergencies or business disruption events, facilitates protection of essential assets, minimises potential for loss of life and property and integrates multiple plans and procedures, thereby helping key stakeholders to make informed decisions and ensure timely recovery.	Meteorological (e.g. extreme temperatures - hot and cold; flood, lightning, snow and ice, storms); Biological (Food-borne illnesses, Infectious/communicable/epidemic/pandemic diseases); Accidental Cause (Building/structure collapse, entrapment, explosion/fire, fuel/resource shortage, hazardous material spill / release, equipment failure, transportation incident, unavailability of key employees); Intentional Cause (arson, bombs threat, demonstrations/civil disturbance, acts of war, cyber security incidents, robbery/theft/fraud, strike or labour dispute, suspicious package, terrorism, vandalism/sabotage); Technological (Hardware, software and network connectivity interruption, disruption or failure, utility interruption, disruption or failure)	People (Employees, Residents); Property (Civic Buildings, Housing, Commercial Property); Operations; Statutory Duties; Environment; Supply Chains, Reputation	Brian Keane	Almost Certain (5)	Major (4)	23	Emergency Planning, Business Continuity Plans including Disaster Recovery, Insurance Policies including Terrorism, Property maintenance plans, Engineering Inspection Contract, Statutory Testing of equipment, heating systems, electrical, Fire Risk Assessments, Cyber Security	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	BCP Training/communication/Testing	Weekly Review during Covid-19 Recovery phase
		CR11a - Business Resilience: meteorological events	If the Council does not have adequate Business Continuity arrangements in respect of adverse weather, then it may suffer business interruption or disruption when such an event occurs	Natural weather events cannot be controlled. Therefore, the council should be prepared through Business Continuity Planning and adequate risk management for adverse weather conditions which could affect property, disrupt council operations or necessitate council's assistance to Harlow residents	Meteorological (e.g. extreme temperatures - hot and cold; flood, lightning, snow and ice, storms)	People (Employees, Residents); Property (Civic Buildings, Housing, Commercial Property); Operations; Statutory Duties; Environment; Supply Chains, Reputation	Brian Keane	Moderate (3)	Minor (2)	8	Winter weather plans	Moderate (3)	Minor (2)	8	Moderate (3)	Minor (2)	8		
		CR11b - Business Resilience: biological events	If the Council does not have adequate Business Continuity arrangements in respect of illness and disease, then it may suffer business interruption or disruption when such an event occurs	The council should be prepared for biological risks such as food-borne illnesses and infectious/communicable diseases/pandemics to minimise disruption to council operations and coordinate local response where required.	Biological (Food-borne illnesses, Infectious/communicable/epidemic/pandemic diseases)	Employees and Residents could become ill; Civic and commercial buildings may need to be shut, have restricted access or be repurposed. Housing property may be subject to restrictions, rates of subsidies; Operations may be affected; Statutory Duties may be more difficult to fulfil; Supply Chains may be affected; Reputation may suffer or collapse	Julian Keane	Almost Certain (5)	Major (4)	23	Covid-19 Response and Internal Recovery Group Cross party COVID-19 Recovery Working Group Risk Assessments, working from home guidance Environmental health operations (foodborne illnesses, such as salmonella on E. coli, can usually be minimised by correct food processing and handling techniques)	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	Continue to monitor Covid-19 situation and government direction Develop Covid-19 response and recovery plans for generic infectious/pandemic event	Weekly Review during Covid-19 Recovery phase
		CR12 - Business Resilience: accidental cause	If the Council does not have adequate Business Continuity arrangements in respect of accidental events, then it may suffer business interruption or disruption when such an event occurs	Human-Caused risks vary degrees of severity. Accidental Human-Caused events can be avoided or mitigated through adequate risk management and adherence to standards plus adequate business continuity arrangements.	Accidental Cause (Building/structure collapse, entrapment, explosion/fire, fuel/resource shortage, hazardous material spill release, equipment failure, transportation incident, unavailability of key employees)	People (Employees, Residents) may be locked out of buildings. People could be injured; Property could be damaged; Operations could be restricted; Statutory Duties may be more difficult to achieve; Environment could suffer; Supply Chains might be impacted; Reputation could suffer	Brian Keane	Unlikely (2)	Catastrophic (5)	19	Property maintenance plans Electrical and Gas safety inspections Engineering Inspection Contract Insurance Policies Emergency Planning Fire Safety Plans	Unlikely (2)	Moderate (3)	9	Unlikely (2)	Moderate (3)	9		
		CR13 - Business Resilience: intentional cause	If the Council does not have adequate Business Continuity arrangements in respect of intentional or malicious events, then it may suffer business interruption or disruption when such an event occurs	Human-Caused risks vary degrees of severity. Intentional Human-Caused events can be difficult to predict and minimise but business continuity arrangements may minimise disruption or interruption to operations if such an event occurs	Intentional Cause (Arson, bombs threat, demonstrations/civil disturbance/acts of war, cyber security incidents, robbery/theft/fraud, strike or labour dispute, suspicious package, terrorism, vandalism/sabotage)	People (Employees, Residents) may be locked out of buildings or forced to leave; Employees could be attacked; Property may be attacked and damaged; Operations could be restricted; Statutory Duties may be more difficult to achieve; Supply Chains might be disrupted; Data breach could occur; Reputation could suffer	Brian Keane	Rare (1)	Moderate (3)	6	Emergency Planning Disaster Recovery Plans Terrorism Insurance	Rare (1)	Moderate (3)	6	Rare (1)	Moderate (3)	6		
		CR14 - Business Resilience: technological events	If the Council does not have adequate Business Continuity arrangements in respect of the technology it uses, then it may suffer business interruption or disruption when such an event occurs	Technological risks to business are increasingly common due to a growing reliance on technology. The council should ensure it has necessary prevention measures in place and effective plans to minimise disruption or interruption to operations	Technological (Hardware, software and network connectivity interruption, disruption or failure, utility interruption, disruption or failure)	Employees may be unable to connect to systems; Council may be unable to provide critical services; Residents may be unable to access website; Contact the council or make payments to the council; Operations may be affected; Reputation	Brian Keane	Moderate (3)	Moderate (3)	13	Disaster Recovery plans IT maintenance and security testing (preventative measure) Back-up generator and testing Computer insurance	Unlikely (2)	Minor (2)	5	Unlikely (2)	Minor (2)	5	Further IT systems improvements to increase resilience Continue to maintain and upgrade existing software and hardware.	

Appendix 2

Objective	Risk Name	Residual Risk Score			Risk Appetite Definition for Objective	Risk Appetite Reporting Threshold	Difference between residual risk score and threshold	Additional actions to mitigate risk (4Ts)	Target Date
		Likelihood	Impact	Score					
More and better housing	CR03 - Lack of suitable housing numbers and mix of housing	Unlikely (2)	Major (4)	14	Open	13	1	Direct delivery of council housing. Delivery of Harlow and Gilston Garden Town will spur the development of a wider housing offer.	
	CR04 - Lack of adequate Council housing	Moderate (3)	Moderate (3)	13	Open	13	0	Proposed implementation of LDP. Approved action Plan from regular Landlord Survey. Implement any proposed changes to HTS Property & Environment/Group Board structure and Housing and Regeneration Strategy. Continuation of planning and modelling of HRA business plan. A five year council house building programme was approved by Cabinet in December 2018.	
	CR09 - Provision of repairs, maintenance landscape and streetscene services	Unlikely (2)	Major (4)	14	Open	13	1	Business Continuity Plans required relating to provision of the contracted services.	
Regeneration and a thriving economy	CR02 - The Harlow Offer	Moderate (3)	Moderate (3)	13	Hungry	16	-3	Continued work with ECC to deliver road and transport infrastructure improvements. Develop forward plan for improving transport infrastructure in Harlow. Take forward EZ skills plan to support development of a skilled workforce. Town Centre public realm improvements.	
Wellbeing and social inclusion	CR05 - Inability to fulfill Community Leadership role	Moderate (3)	Moderate (3)	13	Moderate	8	5	Crime and anti-social behaviour partnerships. Communications Plan (e.g. to tackle perceptions). Review of financial sustainability and delivery models of discretionary services. Mental Health Strategy.	
A Clean and green environment	CR06 - Lack of Resources and Capacity, Council and key partners	Moderate (3)	Major (4)	18	Moderate	8	10	Devise and implement new project plan for landscape and streetscene maintenance and improvement. Implement actions from resident satisfaction surveys and budget survey, increase transparency, Communications Strategy, (Continue review of scope and spec of services). Work with HTS to re-implement landscape programme frozen by Covid-19 restrictions.	
	CR09 - Provision of repairs, maintenance landscape and streetscene services	Unlikely (2)	Major (4)	14	Moderate	8	6	Business Continuity Plans required relating to provision of the contracted services.	
Successful children and young people	CR07 - Ability to support children and family aspirations	Unlikely (2)	Moderate (3)	9	Cautious	5	4	Support creation and development of apprenticeships for young people. Engage with a range of partners to support families with complex needs. The Harlow School Readiness project has been extended across town.	
Being the Community Leader	CR10 - Inability to fulfill Community Leadership role	Unlikely (2)	Major (4)	14	Open	13	1	Continue to lobby and liaise with stakeholders	
Sound Resource Management	CR01 - Financial Resilience	Moderate (3)	Major (4)	18	Cautious	5	13	Whilst the pressures generated in the Council's grant income are largely driven by Government policy the financial situation continues to be monitored at a high frequency. The Administration will continue to be provided with detailed financial information and will be appropriately supported in reaching decisions upon how these financial challenges can be faced.	
Equalities and Fairness	CR08 - Equality and Diversity	Moderate (3)	Major (4)	18	Moderate	8	10	Implement the Corporate Equalities Action Plan Publication of information relating to people who share protected characteristic who are employees and people affected by the Council's policies and procedures. Implement recommendations from the Religious Diversity Working Party.	Annual review 31/03/21
Resilience and recovery	CR11 - Business Resilience	Moderate (3)	Moderate (3)	13	Open	13	0	BCP Training/communication/Testing	Weekly Review during Covid-19 Recovery phase
	CR11a - Business Resilience: meteorological events	Moderate (3)	Minor (2)	8					
	CR11b - Business Resilience: biological events	Moderate (3)	Moderate (3)	13					
	CR11c - Business Resilience: accidental cause	Unlikely (2)	Moderate (3)	9					
	CR11d - Business Resilience: intentional cause	Rare (1)	Moderate (3)	6					
	CR11e - Business Resilience: technological events	Unlikely (2)	Minor (2)	5					

Appendix 3 – Risk Appetite Definitions and Reporting Thresholds

		Risk Appetite Definition	Risk Appetite Reporting Threshold	Risk Appetite Statement
Corporate Priorities	More and better housing	Open	13	We invest when there is a good likelihood of return and opportunities to grow, choosing innovative options in order to deliver a significant contribution.
	Regeneration and a thriving community	Hungry	16	Our focus is on driving forward regeneration by taking on innovative projects which are resource intensive with long lead in times.
	Wellbeing and social inclusion	Moderate	8	Often working with partners we will continue to deliver our wellbeing strategy, usually taking moderate to low risk options.
	A clean and green environment	Moderate	8	Maintaining good levels of standards we tend towards exposure to modest levels of risk in order to achieve acceptable outcomes.
	Successful children and young people	Cautious	5	We will take low risk options to enhance in our support of children and young people.
	Resilience and recovery	Open	13	We prefer to seek low to moderate risk options to ensure business resilience. However, we acknowledge that when faced with unexpected business interruptions, it is sometimes necessary to accept higher levels of risk to ensure recovery is achieved quickly to minimise disruption to council services.
Guiding Principles	Sound resource management	Cautious	5	It is important the Council is getting its best from available resources whilst ensuring long term sustainability. We will seek best use of our resources, and generation of alternative funding in order to protect services.
	Being a community leader	Open	13	Promoting the needs of Harlow and being recognised as a community leader, we tend towards modest levels of risk to achieve outcomes.
	Equalities and Fairness.	Moderate	8	Developing and promoting the Equalities and Fairness agenda across Harlow, we usually take moderate to low risk options to achieve outcomes. The Council operates within a statutory framework at all times.

Definition	Risk Reporting Threshold
Avoid	1
Adverse	3
Cautious	5
Moderate	8
Open	13
Hungry	16

Appendix 4

Likelihood	Almost Certain	99% likely to happen or has happened on a regular basis over the last 12 months.	5	11	16	20	23	25
	Likely	75% likely to happen or has happened at least once or twice in the last 12 months.	4	7	12	17	21	24
	Moderate	50% likely to happen or has happened once or twice in the last 24 months.	3	4	8	13	18	22
	Unlikely	20% likely to happen or has happened once or twice in the last 5 years.	2	2	5	9	14	19
	Rare	5% likely to happen or hasn't happened within the last 5 years.	1	1	3	6	10	15
<h1>Risk Rating Matrix</h1>				1	2	3	4	5
				Minor slippage	Minor	Moderate	Major	Catastrophic
			Impact					
			Financial	Loss/overspend under £10K	Loss/overspend £10K-£50K	Loss/overspend £50K-£250K	Loss/underspend £250K-£1M	Loss/underspend over £1M
			Service	Marginal disruption to service capability	Short term disruption to service or marginal reduction in service.	Short term disruption to service or marginal reduction in service. Objectives of one department not met.	Short term loss of service or significant reduction service. Service objectives not met.	Medium/longer term loss of service. Failure to deliver at least one the Council's corporate objectives.
				Unlikely to cause complaint/litigation	Low potential for complaint/litigation	High potential for complaint with possible litigation	High potential for complaint with probable litigation	Litigation almost certain and difficult to defend.
			Reputation	No adverse publicity	Minor adverse publicity	Significant adverse local publicity	Adverse national publicity/significant adverse local publicity	Significant adverse national publicity
			Legal/Regulatory	Breaches of local procedures/standards	Breaches of regulations/standards	Breaches of regulations/standards	Breaches of law punishable by fines	Breaches of law punishable by imprisonment
Environmental/ Public Health	Incident with no lasting effect	Short term incident (days)	Short term incident (weeks)	Medium term major incident (1 month – 1 year)	Long term major incident (1 year +)			
Health and Safety	'First Aid' level injury	Medical treatment required – short term injury	Medical treatment required – long term injury	Extensive permanent injury – long term absence	Fatality			



Harlow Council

Risk Management Strategy

Version 3.11

May 2021

Foreword	1
Introduction	2
What is Risk Management?	3
Benefits of Risk Management	3
Risk Appetite	4
Roles and Responsibilities	5
Training & Awareness	6
Risk Management Process	6
1. Establish Objectives	7
2. Risk Assessment	7
a. Risk Identification.....	7
b. Risk Analysis	7
c. Risk Evaluation	8
3. Risk Response.....	8
4. Monitoring and Review.....	9
a. Existing Risks	9
b. New Risks	9
5. Reporting and Escalation	9
Linking risk to other areas	11
Business Continuity Management	11
Health and Safety.....	11
Information Governance.....	11
Insurance.....	12

Foreword

All of us manage risks in our daily lives almost unconsciously – assessing the speed of traffic when crossing the road, taking out insurance policies and making everyday decisions. However, risk and risk management can sometimes be seen as specialist subjects, requiring expertise outside ‘normal’ management experience. This can lead to risks being ignored altogether or a view taken that risk can be avoided by maintaining the status quo.

Innovation and good governance are not mutually exclusive. The next few years will present significant challenges for the Council in delivering its services. The difference between a thriving authority providing value for money and stagnation could be the willingness to embrace a risk taking culture while taking timely and appropriate action in the face of threats to objectives. Risk management is therefore an essential part of the Council’s overall Governance arrangements. Because risk management is about achieving objectives, it needs to be integral to our decision making, an essential part of routine management and should be ‘part of the day job’ of all officers who are responsible for achieving objectives.

The Council’s attitude to risk is to operate in a culture of creativity and innovation, in which key risks are identified in all areas of the business and the risks are understood and managed, rather than avoided. We should not be afraid of risk but we must proactively manage it. Ultimately, effective risk management will help us to meet future challenges and opportunities to deliver the most effective services, thereby improving our ability to deliver priorities and improve Harlow for residents, businesses and visitors

This Risk Management Strategy is designed to provide managers with the tools needed to manage risk effectively, providing the framework and process with which to manage risk in a systematic, consistent and effective way. The Strategy will be periodically reviewed as necessary to ensure that it reflects the Council’s needs and remains challenging and responsive to Government direction and requirements.

Brian Keane
CEO
Harlow Council

Introduction

Harlow Council is committed to a proactive approach to risk management which is integrated into the policy framework, planning and budgeting cycles. The council recognises that there are risks involved in everything it does and that it has a duty to manage these risks in a balanced, structured and cost effective way. Risk cannot be totally eliminated and may at times need to be embraced as part of an innovative approach to problem solving and achieving best value. In essence, risk management is not about taking no risks at all. It is about being able to take calculated and controlled risks to improve the services that residents receive. The Risk Management Strategy outlines the framework, responsibilities and accountabilities for the systematic and consistent management of risk across the Council, partnership and collaborative activities.

The objectives of this Strategy are to:

- Identify the scope of risk management;
- Embed and integrate risk management into the culture of the Council;
- Assign roles, responsibilities and accountability for risk management activities within the Council;
- Raise the awareness of the need for risk management by all those connected with the Council's delivery of services;
- Reduce the impact, disruption and loss from an event and reduce where possible the financial impact of risk;
- Enhance realisation of opportunities and resulting benefits;
- Ensure consistency throughout the Council in the management of risk.

These objectives will be achieved by:

- Providing a pragmatic and standardised approach to risk management across the Council;
- Incorporating risk management considerations into all levels of business planning, including project and partnership arrangements;
- Skills training and development for all relevant managers, staff and Members in the effective management of risk;
- Regular monitoring and reporting of risk to identify trends and likely direction of risks for Councillors and Senior Managers to be aware of when making decisions.

What is Risk Management?

Risk is defined as the “effect of uncertainty on objectives” (ISO 31000). An effect is a positive or negative deviation from what is expected, and that risk is often described by an event, a change in circumstances or a consequence.

Risk management is the process followed to control the level of risk in business and service activities which could impact on the delivery and achievement of corporate priorities, principles and service objectives. In practice, risk management is the ongoing process of identifying threats and opportunities, implementation of measures aimed at reducing the likelihood of them occurring and minimising the impact if they do.

Risk management is a key component of corporate governance in maintaining a strong control environment. Because risk management is about achieving objectives it needs to be integral to the council’s decision making and core business processes such as business planning, budgeting and performance reviews.

Everybody manages risk – the Council’s risk management framework provides the necessary level of formality to allow risk managers to consider risk systematically as well as demonstrate and communicate what they are doing to manage risk.

Benefits of Risk Management

The following benefits are brought about by effective risk management:

- Achievement of objectives more likely
- Adverse (damaging) events less likely
- Costly re-work and fire-fighting reduced
- Capital and resources utilised more efficiently and effectively
- Quality of service improved
- Improved performance (Key Performance Indicators scores)
- Support of better planning
- Help better informed decision making
- Use risk management to support innovation
- More positive outcomes for stakeholders
- Provision of reassurance to stakeholders
- Help protect and enhance the Council’s reputation
- Reduction in insurance premiums and claim related losses

Risk Appetite

Risk appetite can be defined as the amount and type of risk an organisation is willing to accept in the pursuit of its objectives.

The council recognises that some level of risk needs to be accepted but it will vary according to the activities undertaken. Risk appetite is not a single, fixed concept and there will be a range of appetites for different risks which may vary over time. The Council's overall risk appetite and by corporate priority is defined in the Council's Risk Appetite General Statement. Escalation and reporting thresholds will be reassessed periodically to ensure risks are reported and reviewed within suitable defined limits.

The Council's current overall risk appetite is defined as moderate (see table below for definitions). This means the Council remains open to innovative ways of working and to pursue options that offer potentially substantial rewards, however, also carry a greater level of risk. The Council's preference is for safe delivery options, especially for those services required by statute.

Risk Appetite Definitions	
Avoid	No appetite. Not prepared to take risk.
Adverse	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
Cautious	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
Moderate	Tending always towards exposure to only modest levels of risk in order to achieve acceptable outcomes.
Open	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.
Hungry	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

Roles and Responsibilities

Responsible Body	Role	Monitoring Period
CEO	Ultimate responsibility for the council's risk management strategy and its arrangements.	Quarterly
Senior Management Board (SMB)	Identify strategic and service risks during the annual corporate planning cycle. Review and manage risks in accordance with monitoring and reporting requirements. Set risk appetite.	Ongoing/ Quarterly
Elected Members (Audit and Standards Committee)	Monitor the effective development and operation of risk management in the Council. Understand, scrutinise, and endorse the Council's risk management strategy and monitor the Council's risk appetite.	Quarterly (in line with committees cycle)
Insurance and Risk Manager	Develop Risk Management Policy and document internal risk policies and structures. Report risks to SMB quarterly highlighting exceptions, cross cutting trends and themes for consideration.	Ongoing
Third Tier Managers	Identify and manage operational service risks. Identify and report changed circumstances/risks. Promote risk aware culture. Implement risk improvement recommendations within service departments.	Ongoing/ Quarterly
All Employees	Understand and implement the risk management process. Report inefficient, unnecessary or unworkable controls. Report incidents and near miss incidents. Co-operate with incident investigations.	Ongoing
Internal Audit Manager	Provide independent assurance of the Council's risk management arrangements, reporting on the efficiency and effectiveness of internal controls. Promote risk management as part of good governance.	Ongoing/ Annual

Training & Awareness

Risk management training is available via the Council’s e-learning platform ‘i-learn’. This should form part of the Council’s induction process for line managers and other members of staff where appropriate. It may also serve for risk awareness sessions for existing staff.

Training on use of the Council’s performance management system InPhase will include management of risks.

Members of the Audit and Standards Committee will be provided with periodic training and awareness regarding risk.

Awareness of the Council’s risk management processes should be given as part of the Council’s procurement process when tendering for goods and services. Invitations to Tender will require bidding organisations to confirm they will familiarise themselves with and comply with our risk management processes.

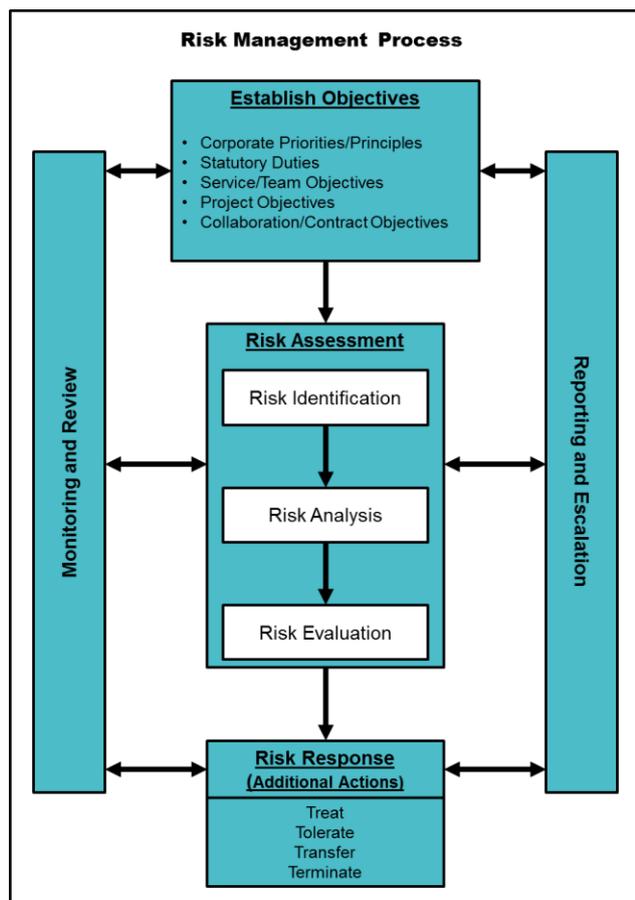
Risk Management Process

Harlow Council’s systematic approach to risk management is primarily objective driven and runs in parallel with the Council’s corporate, service and team planning process.

The Corporate Plan and ongoing statutory duties set corporate priorities, principles and service objectives. Associated risks are identified, analysed and evaluated.

Risks are reported in accordance with a defined risk escalation process and a proportionate risk response is required to manage risks within risk appetite.

Risks are managed and monitored via the Council’s performance system InPhase. Managers should update risk registers on a real time basis. This means updating information about the risk as and when circumstances change as well as on a periodic basis.



The full risk management process is:

1. Establish Objectives

The annual corporate planning cycle begins with the development of the Corporate Plan. This outlines the Council's vision, priorities and goals to drive improvement over the coming three years. The corporate goals, underlying principles and statutory duties set the Council's objectives and drive formation of the Service Plans and their objectives.

Contracts and Service Level Agreements (SLA) will set the respective collaboration objectives.

2. Risk Assessment

Risk assessment follows a three stage process:

a. Risk Identification

Risks are identified as events or circumstances which could impact on achievement of objectives. Consideration should be given to the following:

- Have any of the risks previously identified significantly changed or are they still relevant?
- Are there any risks missing from the register?
- Is anything planned over the next 12 months that will give rise to a significant risk?

This process should involve as many of the decision makers as necessary. Logging your risk should take a proportionate amount of time and resource in relation to the magnitude of the risk. Risk owners should avoid logging their risks "just for the sake of it".

The description of risk should always be written as a causal statement "IF", "THEN". This is a critical part of risk management because it demonstrates cause and effect. However, the risk owner should not re-state failure of the objective as the risk.

Example: Objective: To arrive on time this morning. Risk might be described as "IF I oversleep, THEN I may arrive late."

b. Risk Analysis

Analysis sets the context of the risk, identifies the possible reasons why it might arise, the possible impacts, and sets out existing risk controls. The required information is set out as follows:

- Background - In addition to the risk description a short background narrative is required to set the context of the risk in relation to the objectives which may be impacted.
- Inherent likelihood comment – sets out the events or circumstances which will lead to the risk occurring before controls are put in place.

- Inherent impact comment – describes the impact of the risk before controls are put in place.
- Current controls – Sets out all current risk controls. These might include (but are not limited to) policies, procedures, training, preventative measures such as segregation of duties or restriction of access, or contract arrangements.

c. Risk Evaluation

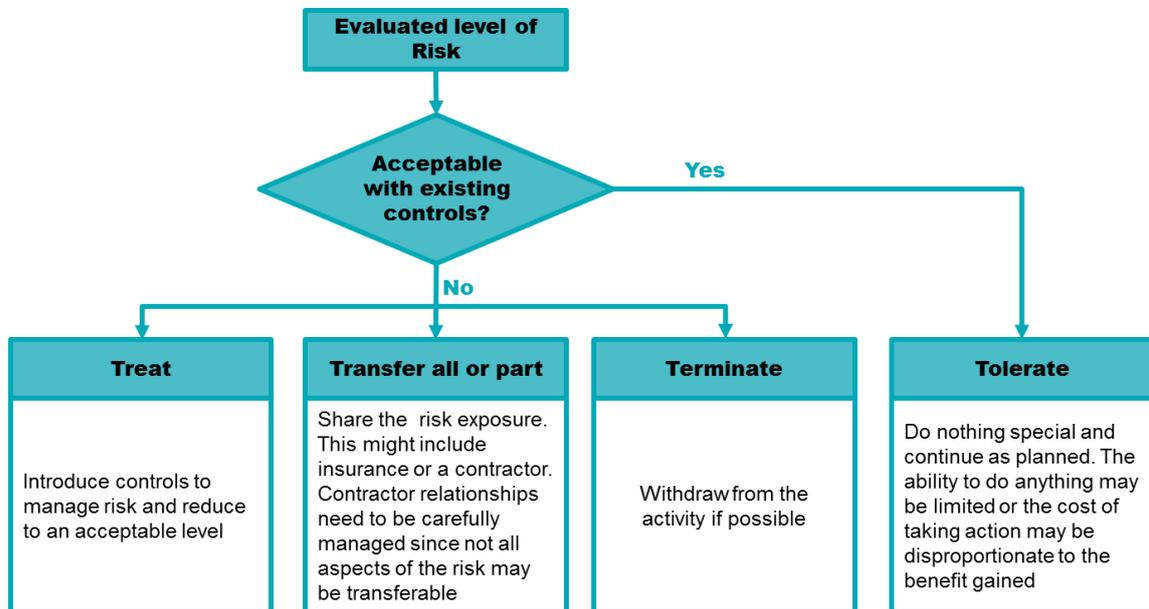
Each risk is scored by giving likelihood and impact ratings using the risk rating matrix shown in Appendix 1. The risks are scored in three stages using different assumptions:

- Inherent score - original risk rating before controls
- Residual score – current risk rating with existing controls
- Foreseeable score –risk rating after application of specified additional controls - identified under risk response - and influence of external risk factors e.g. economic, political, natural

3. Risk Response

Having evaluated the residual risk, the course of action is determined by the Council’s risk appetite. The diagram below outlines the risk response process.

Controls should always be proportional to the risk so that the resource and cost required does not outweigh the benefit of the control.



4. Monitoring and Review

Managing risks is not just about identifying and assessing risks and putting controls in place to mitigate the risks. Risks will constantly change and so a key stage of the risk management process is risk monitoring.

Risks are required to be updated quarterly to align with service planning and performance management monitoring and reporting. It is important that risk registers are kept up to date and accurate as this will form the means by which not only objectives are being monitored but also how risks are being managed.

Monitoring of strategic risks is undertaken by the risk owner with quarterly reviews by the Senior Management Board. Monitoring of service risks should be undertaken through management team meetings. Management should prioritise those risks, concentrating on high risks (red) and medium risks (yellow/amber) but also regularly review actions to ensure low (green) risks are being effectively managed and to identify any emerging risks.

The review of risk registers should consider:

a. Existing Risks

- Are the key risks still relevant?
- Has anything occurred which could impact upon them? E.g. changes in legislation, service delivery
- Are the risk ratings appropriate?
- Are the controls in place effective?
- If risk scores are increasing what further controls might be needed?
- If risk scores are decreasing can controls be relaxed without adversely affecting likelihood or impact ratings?

b. New Risks

- Has something new happened within the service, project, partnership or contract e.g. contract delivery issue, a new partner organisation to work with, a new project starting, a new or different way of delivering services?
- Has ongoing management review identified, for example, budget pressures, unexpected demand for a service or external factors such as changes in legislation or government policy?

It may be appropriate to close risks. However, when risks are closed from a register, there should be a record of the reasons for this decision and what has happened to the risk.

5. Reporting and Escalation

Reporting of risks should provide senior management and members with assurance that key risk exposures have been identified, assessed and mitigating controls evaluated or implemented. Senior Management Board is accountable for strategic risks and each Head of Service are is accountable for monitoring the risks within their service. Risk information is reported quarterly to the Senior Management Board and regularly to Audit and Standards Committee. Significant risks scoring 20 and above are reported to Cabinet through the quarterly Joint Finance and Performance Report.

Heads of Service are required to report on management of risk and effectiveness of controls within their service areas within their Annual Governance Statement declarations.

6. Future actions

This strategy provides a framework to manage risk. The ongoing challenge is to ensure that risk management is fully embedded and integrated into the council's culture. This will be taken forward as follows:

- Risk appetite will be reassessed to ensure it not only reflects the overall corporate risk appetite but also the risk appetite as it relates to each service.
- Risk management will be further embedded at departmental level.
- Risk culture will be regularly reviewed as part of a risk maturity assessment to document progress and identify further improvements.

Linking risk to other areas

Below are areas that deserve special note in relation to risks. Each have significant risks associated with them which may have a major impact across the Council. It is very important that risks in these areas are identified, assessed and prioritised.

Business Continuity Management

Business Continuity Management (BCM) is complementary to the risk management framework.

While risk management seeks to manage risk around the key services that the council delivers, service delivery can be disrupted by a wide variety of incidents, many of which are difficult to predict or analyse by cause.

By focusing on the impact of disruption, BCM identifies the services which the council must deliver, and can identify what is required for the council to continue to meet its obligations. Through BCM, the council can recognise what needs to be done before an incident occurs to protect its people, premises, technology, information, supply chain, stakeholders, reputation and importantly the services that the council delivers within Harlow. With that recognition, the council can then take a pragmatic view on the responses that are likely to be needed as and when a disruption occurs, so that it can be confident that it will manage any consequences without unacceptable delay in delivering its services.

Health and Safety

The Council has responsibilities under health and safety legislation to ensure the health, safety and welfare at work of employees and other people affected by the Council's business. Managing health and safety risks is an integral part of business risk management and the management of such risks should not be taken in isolation. Poor health and safety management can have a negative impact on other business risks such as reputation, insurance, business continuity and financial resources.

The effective management of health and safety risks, as with all significant corporate risks, is an essential part of the role of the relevant managers. The organisation and arrangements for managing health and safety within the Council are detailed in the Council's Health and Safety Policy documents.

Information Governance

Legislation such as the General Data Protection Regulation, Freedom of Information Act 2000, Environmental Information Regulations 2004, Human Rights Act 1998, Equality Act 2010 and Privacy and Electronic Communications Regulations 2003 , requires the council to have arrangements in place to manage and protect all information taking into account its security, storage, use, access and retention.

The Council can be subject to regulatory intervention and have fines levied by the Information Commissioner's Office (ICO) where there are failures to comply with relevant legislation.

While the Council has policies in place to address legal requirements, it has recognised the need to improve the council wide understanding of Information Governance and has set up an Information Governance Group (IGG), chaired by the Head of Governance. The group's role is to examine and monitor relevant legislation, advise on compliance and ensure suitable training and awareness to support the delivery of the requirements and legal obligations.

Insurance

Insurance acts as a risk transfer mechanism which reduces the financial risk to the Council. The Council transfers risks to an insurance company by contributing a premium. In the event of a financial loss, the Council is entitled to indemnity, subject to policy excesses and other terms and conditions that are in place.

The administration of the Council's insurance arrangements is undertaken by the Insurance Department within Finance. The department provides a comprehensive Insurance service including insurance provisions and other related insurance activities such as processing of claims.

Appendix 5
Appendix 1 – Risk Rating Matrix

Likelihood	Almost Certain	99% likely to happen or has happened on a regular basis over the last 12 months.	5	11	16	20	23	25		
	Likely	75% likely to happen or has happened at least once or twice in the last 12 months.	4	7	12	17	21	24		
	Moderate	50% likely to happen or has happened once or twice in the last 24 months.	3	4	8	13	18	22		
	Unlikely	20% likely to happen or has happened once or twice in the last 5 years.	2	2	5	9	14	19		
	Rare	5% likely to happen or hasn't happened within the last 5 years.	1	1	3	6	10	15		
Risk Rating Matrix				1	2	3	4	5		
				Minor slippage	Minor	Moderate	Major	Catastrophic		
			Impact							
			Financial	Loss/overspend under £10K	Loss/overspend £10K-£50K	Loss/overspend £50K-£250K	Loss/underspend £250K-£1M	Loss/underspend over £1M		
			Service	Marginal disruption to service capability	Short term disruption to service or marginal reduction in service.	Short term disruption to service or marginal reduction in service. Objectives of one department not met.	Short term loss of service or significant reduction service. Service objectives not met.	Medium/longer term loss of service. Failure to deliver at least one the Council's corporate objectives.		
				Unlikely to cause complaint/litigation	Low potential for complaint/litigation	High potential for complaint with possible litigation	High potential for complaint with probable litigation	Litigation almost certain and difficult to defend.		
			Reputation	No adverse publicity	Minor adverse publicity	Significant adverse local publicity	Adverse national publicity/significant adverse local publicity	Significant adverse national publicity		
Legal/Regulatory	Breaches of local procedures/standards	Breaches of regulations/standards	Breaches of regulations/standards	Breaches of law punishable by fines	Breaches of law punishable by imprisonment					
Environmental/ Public Health	Incident with no lasting effect	Short term incident (days)	Short term incident (weeks)	Medium term major incident (1 month – 1 year)	Long term major incident (1 year +)					
Health and Safety	'First Aid' level injury	Medical treatment required – short term injury	Medical treatment required – long term injury	Extensive permanent injury – long term absence	Fatality					

AUDIT & STANDARDS COMMITTEE WORK PLAN 2021/22

16 June 2021	
○ Audited Annual Accounts 2018/19	Simon Freeman
○ External Auditors Audit Results Report 2018/19 (ISA 260)	Simon Freeman
○ Audit and Standards Committee Annual Report 2020/21	Sarah Marsh
○ Internal Audit Annual Report 2020/21	Sarah Marsh
○ Annual Governance Statement 2020/21	Sarah Marsh
○ Period 2 Internal Audit Activity Report 2021/22	Sarah Marsh
○ Risk Management Progress Report	Simon Freeman
○ Audit and Standards Committee Work Plan and Training Programme 2021/22	Sarah Marsh
29 July 2021	
○ Period 4 Internal Audit Activity report 2021/22	Sarah Marsh
○ Audited Annual Accounts 2020/21	Simon Freeman
○ Management Letter of Representation	External Auditor
○ External Auditors Audit Results Report 2020/21 (ISA 260)	External Auditor
24 November 2021	
○ Annual Audit Letter 2020/21	External Auditor
○ Period 8 Internal Audit Activity Report 2021/22	Sarah Marsh
○ Review of Internal Audit Charter	Sarah Marsh
○ Review of Audit & Standards Committee Effectiveness and Terms of Reference	Sarah Marsh
○ Review of Code of Corporate Governance	Sarah Marsh
○ Review of Anti-Fraud and Corruption Strategy	Sarah Marsh
○ Risk Management Progress Report	Simon Freeman
02 March 2022	

AUDIT & STANDARDS COMMITTEE WORK PLAN 2021/22

○ Annual Report on the Certification of Grant Claims and Returns <i>(including fees)</i>	External Auditor
○ External Auditor - Audit Plan 2022/23	External Auditor
○ Internal Audit Strategy and Plan 2022/23	Sarah Marsh
○ Period 11 Internal Audit Activity Report 2021/22	Sarah Marsh
○ Internal Audit Compliance with the Public Sector Internal Audit Standards	Sarah Marsh
○ Risk Management Progress Report	Simon Freeman
Standing Items	
○ Register of Complaints which have been referred to Hearing Sub-Committee	Monitoring Officer
Unallocated Items	
Training Plan	Topic
29 July 2021 – starts 6.45pm ahead of the committee meeting	Assurance framework
24 November 2021- starts 6.45pm ahead of the Committee meeting	Information governance
02 March 2022- starts 6.45pm ahead of the Committee meeting	The role of Internal Audit