

**AUDIT & STANDARDS COMMITTEE**  
**Wednesday 5 October 2022 at 7.30pm**  
**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 2 - 4)  
  
Minutes of the meeting held on 15 June 2022.
4. Matters Arising
5. Written Questions and Petitions
6. Non Contentious Business
7. Committee Work Plan (Pages 5 - 6)
8. Interim Audit Completion Report 2018/19 (Pages 7 - 62)
9. Audited Annual Accounts for 2018/19 (Pages 63 - 183)
10. References from other Committees  
  
Any references arising from meetings held after the publication of this agenda will be circulated separately.
11. Matters of Urgent Business  
  
To deal with any matters of an urgent nature.

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

15 June 2022

7.30 - 9.00 pm

**PRESENT**

**Committee Members**

Councillor Matthew Saggars (Chair)  
Councillor Colleen Morrison (Vice-Chair)  
Councillor Simon Carter  
Councillor Jean Clark  
Councillor Eddie Johnson  
Councillor Chris Vince

**Officers**

Hannah Criddle, Governance Support Officer  
Natalie Hook, Senior Auditor  
Simon Freeman, Deputy to the Chief Executive and Director of Finance  
Sarah Marsh, Internal Audit Manager  
Stuart Moseley, Senior Insurance Officer

1. **APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were received from Councillor Jodi Dunne and Laura Kirman.

2. **DECLARATIONS OF INTEREST**

Councillor Matthew Saggars declared a non-pecuniary interest as a leaseholder in Harlow.

3. **MINUTES**

**RESOLVED** that the minutes of the meeting held on 1 March 2022 are agreed as a correct record and signed by the Chair.

4. **MATTERS ARISING**

Simon Freeman, Director of Finance and Deputy to the Chief Executive, gave an update on the 2018/19 accounts. He advised that one matter remained outstanding relating to infrastructure assets, depreciation and the treatment of these assets. Steve Bladden, BDO, advised that the issue was not specific to Harlow. The issue was out for national consultation which was due to end this week and advice on the issue was expected over the summer period. Once the outcomes of the consultation are known, a report would be brought back to the Committee.

5. **WRITTEN QUESTIONS AND PETITIONS**

None.

6. **NON CONTENTIOUS BUSINESS**

None.

7. **COMMITTEE WORK PLAN**

The Committee received its current work plan.

Simon Freeman advised that the 2018/19 accounts would not be ready for the July Committee meeting. The Committee agreed to re-schedule the July Committee meeting to 5 October 2022.

**RESOLVED** that the work plan is noted.

8. **AUDIT AND STANDARDS COMMITTEE ANNUAL REPORT 2021/22**

The Committee received its annual report, which outlined its activities during the last municipal year.

**RESOLVED** that the Committee recommends that the Annual Report for the Audit and Standards Committee for 2021/22 be referred to Full Council for approval.

9. **INTERNAL AUDIT ANNUAL REPORT 2021/22**

The Committee received the Internal Audit Team's annual report, which summarised the results of the internal audit work they had undertaken during the year ending 31 March 2022, and included an overall opinion of the Council's governance, risk management and control framework.

**RESOLVED** that the Committee noted the report.

10. **PERIOD 2 INTERNAL AUDIT ACTIVITY REPORT 2022/23**

The Committee received the latest Internal Audit Activity report and reviewed the work undertaken by the Internal Audit Team since the last report received by this Committee.

The Committee raised concerns that members had not yet been migrated over to Office 365. Councillor Simon Carter proposed (seconded by Councillor Eddie Johnson) that the Committee is provided with an update report on the Office 365 rollout within a month.

**RESOLVED** that the report is noted and an update report on the Office 365 rollout would be circulated to the Committee within one month.

11. **RISK MANAGEMENT PROGRESS REPORT**

The Committee received a Risk Management Progress Report.

Councillor Simon Carter noted that, in relation to Equality and Diversity, the Council still did not produce all documents in large print.

**RESOLVED that:**

**A** The Committee notes the Strategic Risks and scores as at 31 March 2022.

**B** The Committee notes developments to align the strategic risk register with the Corporate Strategy from 1 April 2022.

12. **ANNUAL GOVERNANCE STATEMENT 2021/22**

The Committee received the draft Annual Governance Statement for 2021/22.

**RESOLVED** that the Committee approves the Council's draft Annual Governance Statement for 2021/22.

13. **REFERENCES FROM OTHER COMMITTEES**

None.

14. **MATTERS OF URGENT BUSINESS**

None.

CHAIR OF THE COMMITTEE

## AUDIT & STANDARDS COMMITTEE WORK PLAN 2022-23

<b>October 2022</b>	
○ Audited Annual Accounts 2018/19	Simon Freeman
<b>November 2022</b>	
○ Period 8 Internal Audit Activity Report 2022/23	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
<b>March 2023</b>	
○ External Auditor - Audit Plan 2023/24	External Auditor
○ Internal Audit Strategy and Plan 2023/24	Sarah Marsh
○ Period 11 Internal Audit Activity Report 2022/23	Sarah Marsh
○ Audit & Standards Committee Work Plan and Training Programme	Sarah Marsh
○ Risk Management Progress Report	Simon Freeman
<b>Standing Items</b>	
○ Register of Complaints which have been referred to Hearing Sub-Committee	Monitoring Officer
<b>Unallocated Items</b>	
○ Audited Annual Accounts 2019/20 and 2020/21	Simon Freeman
○ External Auditors Audit Results Report 2018/19 (ISA 260), 2019/20 and 2020/21	
○ Management Letter of Representation 2018/19, 2019/20 and 2020/21	
○ Annual Report on the Certification of Grant Claims and Returns (including fees)	
<b>Audit Committee Training Plan</b>	<b>Topic</b>
<b>November 2022</b> – starts 6.30pm ahead of the Committee meeting	Anti-fraud and corruption

# AUDIT & STANDARDS COMMITTEE WORK PLAN 2022-23

<b>March 2023</b> – starts 6.30pm ahead of the Committee meeting	Assurance frameworks



3. The appointed auditor will update the Committee at its meeting on 5 October 2022 on the final stages of the audit and any matters that require to be drawn to the Committee's attention. At the current time the one matter that remains outstanding is the sector wide issue relating to the treatment of Infrastructure assets as detailed in the auditors report at page 13.

### **Internal Control and Written Representations**

4. The report highlights that there are areas of concern identified in the design or operation of internal controls that might result in a material error in the Statement of Accounts and that there are agreed actions in place to mitigate these issues moving forward. 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 under delegations is the responsibility of the Deputy Chief Executive and Director of Finance, as the Council's Section 151 Officer. A draft of that letter is contained within the auditors report and will be completed after the Committee has approved the accounts presented to it and received the attached auditors report.

### **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**

### **Communities and Environment**

None specific.

**Author: Jane Greer, Director of Communities and Environment**

### **Finance**

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

**Author: Simon Freeman, Deputy Chief Executive and Director of Finance**

### **Housing**

None specific.

**Author: Andrew Murray, Director of Housing**

### **Strategic Growth and Regeneration**

None specific

**Author: Andrew Bainbridge, Director of Strategic Growth and Regeneration**

### **Governance and Corporate Services**

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

**Author: Simon Hill, Director of Governance and Corporate Services**

### **Appendices**

Appendix 1 – BDO LLP – Interim Audit Completion Report: Year ended 31 March 2019

### **Background Papers**

None.



Report to the Audit and Standards Committee

# HARLOW COUNCIL

Interim Audit Completion Report: Year ended 31 March 2019

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# WELCOME

## Introduction

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We have pleasure in presenting our Interim 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

23 September 2022



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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

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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 is now complete except for one matter regarding the accounting treatment applied in respect of infrastructure assets. This is a sector-wide issue that could materially impact the Council's financial statements. The nature of this issue, and the options being considered for the way forward, are set out in more detail on pages 12 and 13.

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 six prior period adjustments being made totaling £68.9 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 for the work completed, although this may be required depending on the outcome of the infrastructure assets accounting treatment issue mentioned above as this presents an additional significant audit risk.

No restrictions were placed on our work.

### Audit report

We will not be in a position to issue our opinion on the Group's financial statements and the Council's use of resources for the year ended 31 March 2019 until the technical matter in respect of compliance with the Code when accounting for infrastructure assets has been resolved. This is only outstanding issue and is the subject of dynamic discussion across the sector. There is a high level of engagement between public sector audit suppliers, CIPFA and the NAO in this respect. Resolution is expected to require the passing of a Statutory Instrument by Parliament. The current position is outlined on page 13 and we will update the Committee if any changes occur between the drafting and presentation of this report.

# THE NUMBERS

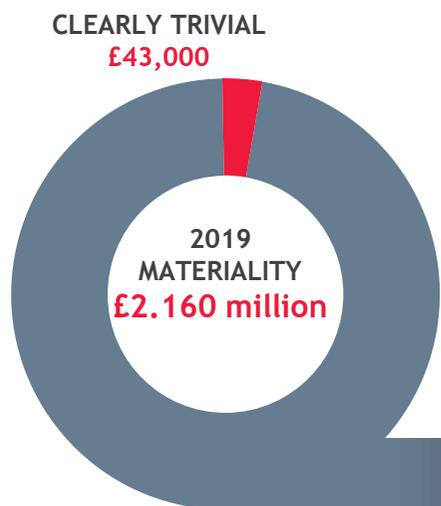
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### Final materiality

Group final materiality was determined based on gross expenditure.

We 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 netting off in debtors and creditors resulting in an adjustment of £3.10 million in the balance sheet for 2018/19 and £2.0 million for 2017/18
- 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 £1.6 million. This error also results in a prior period adjustment of £32 million. The pension reserve of £13.17 million for HTS was incorrectly disclosed as an unusable reserve in the group balance sheet, when it should be disclosed as a usable reserve. This error also resulted in adjustments being required to the prior year accounts to correctly reflect the accounting treatment in 2017/18, increasing the pension liability by £22.5 million in 2017/18.
- Omission of the returning Keir Harlow pensions asset from the 2016/17 and 2017/18 Council Pension liability figures reducing the pension liability by £9.04 million
- Incorrect treatment of receipts in advance resulting in Debtors and Creditors being overstated by £2.53 million
- Incorrect entries for Enterprise Zone additions and revaluations in 2017/18 and 2018/19 resulting in an increase of £10.71 million in 2017/18 and a decrease of £10.68 million in 2018/19 in the value of the asset.

### Unadjusted differences vs. materiality



- Incorrect classification of HRA expenditure of £5.818 million between lines within the HRA.

Management has amended the financial statements for these errors 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, decreases the deficit on the provision of services by £107,000 for 2018/19.

We identified 3 further prior period adjustments (PPAs), these are material misstatements in the opening balances brought forward from the previous year, which individually were immaterial but combined were material. The Council adjusted for the derecognition of licenses accounted for as investment property (£0.57 million) and impairment losses not posted to the provision of services (£1.0 million) but did not amend reversal of impairments posted to the revaluation reserve rather than the CIES (£1.9 million).

### Unadjusted audit differences

In addition we 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

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### 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 £11.60 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

- Our audit identified significant deficiencies in control in relation to accounts preparation processes and accounting for property, plant and equipment.

### 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

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### 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 25.

Recommendations in relation to these deficiencies have been made on page 38.

# 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	Significant	Yes	No	Yes, material and adjusted	No	Yes
HTS pension costs and liability treatment	Significant	Yes	No	Yes, material and adjusted	No	Yes
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 Areas requiring your attention

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# 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 but, from the procedures we completed, 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.

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Normal risk	
Significant management judgement	
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# 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
- 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 did not identify any issues with recognition of grants within the CIES or the recording of expenditure. However, the council had raised some invoices in 2018/19 that related to 2019/20 and incorrectly accounted for these by creating a payment in advance to offset the debtor. As the invoiced had not been paid at this time and related to the following financial year no receipt in advance existed and the debtor should have been removed. This resulted in debtors and creditors being overstated by £2.53 million. This has been amended in the latest version of the accounts.

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Normal risk	
Significant management judgement	
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# 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
- 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	
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# 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	
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## 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 Council has corrected the 2018/19 value by £416,000 for this error. Is also incorrect by £1.92 million but this is not material and, consequently, has not been corrected.

As part of our work on revaluation and reserves we identified further issues in the accounting treatment applied by the Council in respect of land and buildings associated with the Harlow Enterprise Zone and related disclosures. The errors identified in this area resulted in a prior period adjustment of £11.25m. 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.

Historically it has been generally accepted public sector practice for authorities to not write out the value of replaced highways infrastructure components and/or those components which are fully depreciated from the balance sheet. This practice has recently been highlighted as contrary to the Code requirement that the carrying amount of replaced components be written out of the Balance Sheet. There are various reasons for the historic practice being adopted including; asset registers not recording infrastructure assets with sufficient level of detail to identify individual infrastructure assets or changes to them and processes which drive infrastructure spend (eg condition surveys) not recording historical information relating to previous spend.

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# 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

Harlow Council adopts this common approach to accounting for infrastructure assets. At 31 March 2019 the Council had infrastructure assets in its balance sheet with a net book value of £7.2 million, which is material.

Over time, this common approach is likely to have resulted in a material overstatement of gross book value and accumulated depreciation in the notes to the balance sheet and net book value may be materially overstated if infrastructure is being replaced more frequently than useful economic lives suggest.

This issue has been raised nationally with the NAO, CIPFA and all public sector audit suppliers and a task and finish group has been set up by those stakeholders to review the options for addressing this non-compliance. Several meetings have been held and CIPFA ran a consultation process to consider options including (but not limited to):

- Override of certain provisions within the Code and its guidance relating to the accounting for infrastructure assets
- Methods for obtaining missing data/records such that the extent of any misstatement can be reasonably quantified
- Modification of the audit opinion.

This matter is not yet resolved but our understanding of the latest position is detailed below.

In respect of the gross book value and accumulated depreciation disclosures, we are anticipating that there will be an override of the existing Code requirement to disclose these amounts in the Statement of Accounts that will simply remove the requirement to do so. This is in the process of being agreed with CIPFA/LASAAC and the Financial Reporting and Advisory Board (FRAB). We understand that there is a FRAB session scheduled later this month to consider the proposed Code changes.

Once agreement has been reached, we understand that the wording of the Code override will be issued as an amendment to the Code, to apply retrospectively back to when IFRS was first introduced in 2010/11 and will be extant until at least 2024/25.

On the matter of the material accuracy of the net carrying value of infrastructure assets, it is anticipated that a direction will be made, by way of a Statutory Instrument, that seeks a way forward on this issue which aims to limit instances of qualification of the accounts.

We have not seen any proposed wording for this Statutory Instrument (which is being drafted by DLUHC and CIPFA/LASAAC) but we expect it will be designed to be retrospective to avoid a rolling qualification on infrastructure asset balances. The Statutory Instrument will need to be approved by Parliament and there is presently no clear timeline on when this might happen, but we know that once it is laid before Parliament it will take 21 days for it to clear that process.

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# 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 as well as a range of other relevant 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 although, overall, our review of the assumptions used by valuer found that they were reasonable, and the valuations were within an acceptable range.

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.

### Impact

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# 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:

- Agreed the disclosures to the information provided by the pension fund actuary
- Reviewed the competence of the management expert (actuary)
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data
- Reviewed the controls for providing accurate membership data to the actuary
- Contacted the administering authority and request confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data
- Checked 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.

Since the publication of the Council's draft Statement of Accounts, 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) arising from this change in events.

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# 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
<b>Financials:</b>			
- 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
<b>Mortality:</b>			
- 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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# 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 administering 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 is because HTS is an admitted body in its own right and, whilst the Council has agreed to guarantee any payments to the Pension Scheme that HTS is unable to make, there is currently no reason to expect the guarantee to crystallise resulting in the Council needing to make the payment. This resulted in an adjustment of £32 million to the Pensions Reserve in the Council's accounts in the current year and £33 million in the prior year.

The Council initially treated the pension reserve of HTS (£13.2 million) as an unusable reserve, this was inappropriate because when a pensions reserve is 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.

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# 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"> <li>• 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.</li> <li>• The debtor and creditor listings including all transactions in the year, rather than just those transactions that make up the year end balances.</li> <li>• Netting off of transactions within Debtors and Creditors inappropriately, resulting audit adjustments being required.</li> <li>• 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.</li> <li>• Identification of historic issues with PPE accounting resulting in incorrect entries being made to the PPE, EFA, Revaluation reserve and Capital Adjustment account.</li> </ul> <p>The finance team is working to ensure that the issues arising from this first year audit with BDO are addressed in for future audits. We have held an audit debrief session between the audit and finance teams to facilitate this process.</p>
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>

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# MATTERS REQUIRING ADDITIONAL CONSIDERATION

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## 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:

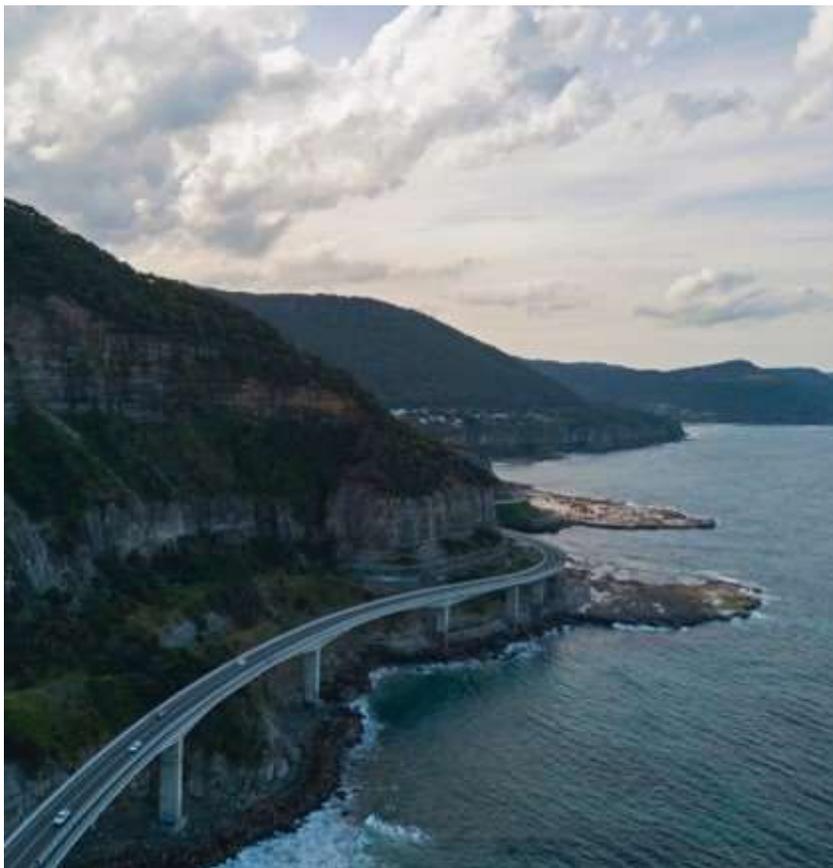
- There were no limitations on the audit where information was restricted
- We did not identify any fraud at a component level.



# UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

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**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
<b>Unadjusted audit differences</b>					
Deficit on the provision of services before unadjusted audit differences	24,117				
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			

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# 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
<b>Unadjusted audit differences</b>					
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				

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# 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
<b>Unadjusted audit differences</b>					
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	24,486				

	General Fund	
Impact on the General Fund balance and HRA balance	balance £'000	HRA balance £'000
Balance before unadjusted audit differences	4,817	13,132
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
<b>Balances after the above adjustments</b>	<b>4,448</b>	<b>13,132</b>

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# 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
<b>Unadjusted audit differences</b>					
1: Correction of impairment reversal incorrectly posted to Revaluation reserve and not CIES					
<b>DR Revaluation reserve</b>				<b>1,916</b>	
<b>CR CIES Reserves</b>					<b>(1,916)</b>

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# 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 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
- There are also a number of trivial variances between different areas of the accounts in both years that would be expected to agree in a well prepared set of financial statements.

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# ADJUSTED AUDIT DIFFERENCES: SUMMARY

## Summary for the current year



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 £107,000 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 exceed the materiality level.

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# 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
<b>Adjusted audit differences</b>					
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			

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# 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
<b>Adjusted audit differences</b>					
Adjusted audit differences brought forward		1,052			
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 and not revaluation reserve					
DR: Revaluation reserve				937	
CR: Impairments charged to Cost of Service			(937)		
Adjusted audit differences carried forward		6,870	(7,171)		

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# 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
<b>Adjusted audit differences</b>					
Adjusted audit differences brought forward		6,870	(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		6,870	(7,171)		

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# 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
<b>Adjusted audit differences</b>					
Adjusted audit differences brought forward		6,870	(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					
CR Pensions Reserve					(31)
DR Interest Costs (Pensions - CIES)		32			
CR Administration Expenses (Pensions)			1		
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)
<b>Adjusted audit differences</b>		<b>6,902</b>	<b>(7,172)</b>		

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# 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
<b>Adjusted audit differences</b>					
Adjusted audit differences brought forward		6,902	(7,172)		
14: Unidentified revaluation reserve movements					
DR: Deficit on Revaluation of Property Plant and Equipment assets (CIES)		63			
CR Revaluation Reserve					(63)
<b>Adjusted audit differences</b>		<b>6,965</b>	<b>(7,172)</b>		

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# 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)

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# 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
<b>Adjusted audit differences</b>					
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	24,117				

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# 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.

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# REPORTING ON OTHER INFORMATION

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.

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# WHOLE OF GOVERNMENT ACCOUNTS

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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.	Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 28 June 2019. The Council met this deadline.  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.

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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 no 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

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## 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"> <li>• 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.</li> <li>• All working papers are reconciled to the draft financial statements.</li> <li>• The accounts are reviewed for internal consistency between the main statements and notes and within relevant notes.</li> </ul>	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.

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## 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

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## Opinion on financial statements

Our audit fieldwork is complete with the exception of the technical matter relating to non-compliance with the Code when accounting for infrastructure assets (see pages 12 & 13), which is currently the only matter preventing us from forming an opinion on the Council's financial statements.

## 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

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**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

## Fees summary

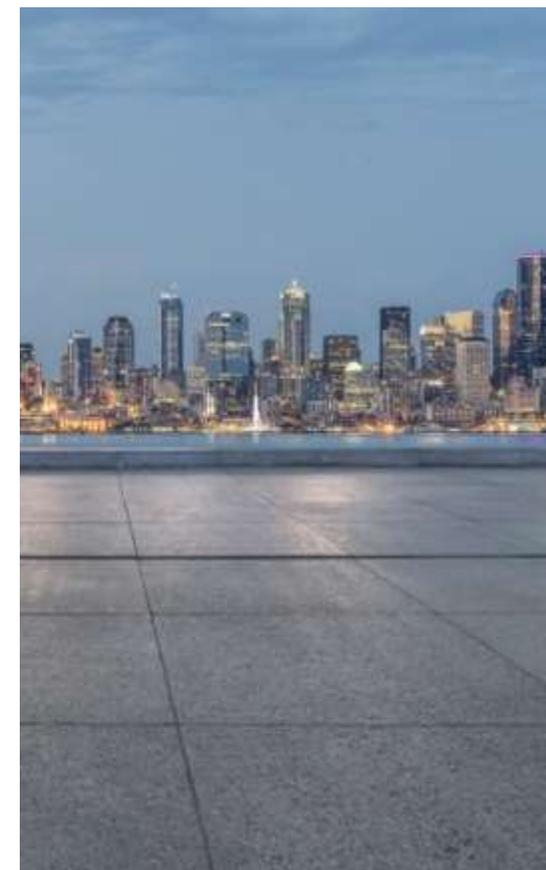
	2018/19 Actual £	2018/19 Planned £	2017/18 Actual £
<b>Audit fee</b>			
• Code audit fee: Council financial statements and use of resources	£59,686	£59,686	£77,514
• Additional fee for Group accounts <sup>(1)</sup>	<sup>(1)</sup> TBC	£2,500	£3,980
• Additional fee for other issues	<sup>(2)</sup> TBC	-	£22,520
<b>Non-audit assurance services</b>			
<b>Fees for reporting on government grants:</b>			
• Housing benefits subsidy claim	<sup>(3)</sup> £30,185	£16,825	£18,695
• Pooling of housing capital receipts return	£3,000	£3,000	£5,000
<b>Total fees</b>	<b>TBC</b>	<b>£82,011</b>	<b>£127,709</b>

### Additional fees

<sup>(1)</sup> The current scale fee set by PSAA does not include a fee for the audit of the group accounts.

<sup>(2)</sup> 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.

<sup>(3)</sup> Additional fee of £13,360 agreed in line with our fee quote for additional testing as a result of errors found.



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# RESPONSIBILITIES AND REPORTING

## Responsibilities and reporting

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### 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.



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## 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.

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# COMMUNICATION AND REPORTS ISSUED

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## 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.

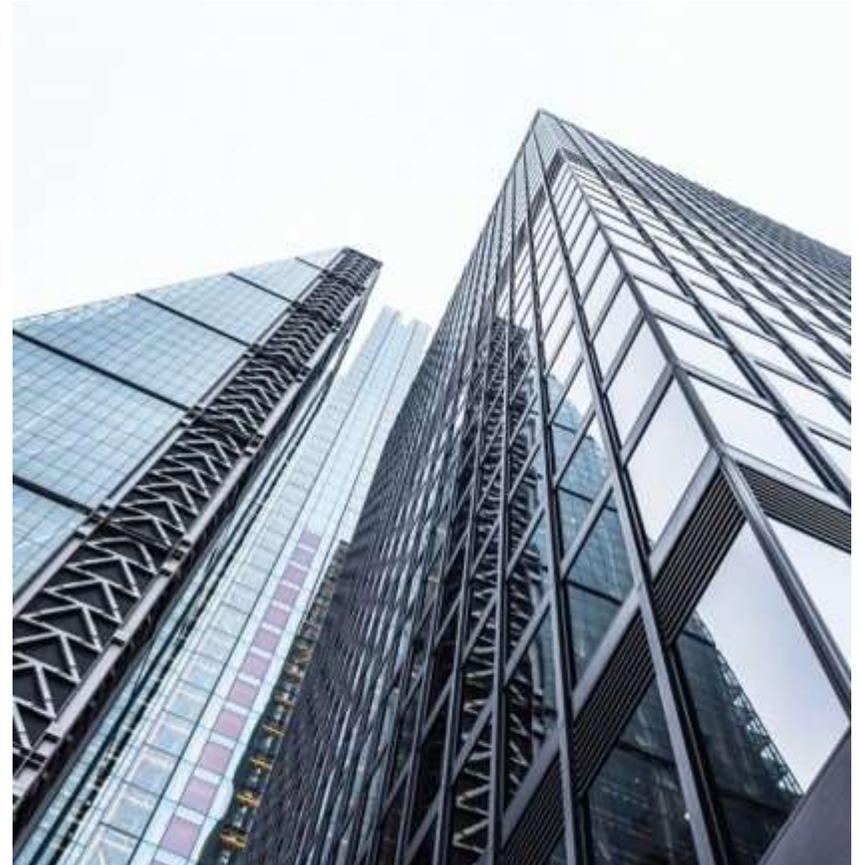
Communication	Date (to be) communicated	To whom
Audit Plan	13 March 2019	Audit and Standards Committee
Audit Progress Report	11 September 2019	Audit and Standards Committee
Draft Audit Completion Report	25 November 2020	Audit and Standards Committee
Interim Audit Completion Report	5 October 2022	Audit and Standards Committee
Final Audit Completion Report	TBC	Audit and Standards Committee
Annual Audit Letter	TBC	Audit and Standards Committee

# OUTSTANDING MATTERS

We have completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2019, with the exception of one matter which is currently the subject of a national review and response in respect of accounting for infrastructure assets (as set out on pages 12 and 13).

There are a small number of completion procedures that cannot be completed until this is resolved and we are ready to issue the audit opinion. These are:

- Resolution of the technical issue of non-compliance with the Code in respect of accounting for infrastructure assets
- 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 QUALITY

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## **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](http://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.

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**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.

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**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]



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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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**REPORT TO:** **AUDIT AND STANDARDS COMMITTEE**

**DATE:** **5 OCTOBER 2021**

**TITLE:** **AUDITED ANNUAL ACCOUNTS FOR 2018/19**

**LEAD OFFICER:** **SIMON FREEMAN, DEPUTY CHIEF EXECUTIVE  
AND DIRECTOR OF FINANCE (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.

**ISSUES/PROPOSALS**

**Change of Auditors**

4. 2018/19 is the first year that BDO had audited the Statement of Accounts, for Harlow, previously the Auditors had been Ernst & Young LLP.

**Resourcing issues**

5. BDO and the Council have both experienced and are still experiencing staff related issues, which has contributed to the elongation of the 2018/19 Audit process.
6. These issues are continuing and currently BDO are unable to confirm exact dates for the 2019/20 and 2020/21 Audits to restart.

7. During the 18/19 Audit there has been six different Officers responsible for updating the Statement and liaising with BDO to produce the final version. This in itself has caused a number of contributing issues.

### **Covid and the Impact on the Audit**

8. In March 2020 when the first covid lockdown began, the way the audit was conducted had to change and has by necessity become a predominantly remote and virtual process rather than the traditional hands on activity with onsite presence. Inevitably this has impacted on the time it takes to resolve queries and the length of the Audit.
9. A new requirement has also been placed on authorities in relation to Covid with the need to consider the impact of Covid and the future sustainability of the Council resulting from the pandemic.

### **Working Papers and identified issues**

10. The comments raised in BDO's report in relation to the quality, format and the time it has taken to verify the numbers are noted.
11. Changes will be made to ensure that points raised and lessons learned are actioned and improvement made to both the working papers and working practices.

### **Technical Accounting Treatment of Pensions**

12. In June/July 2021 during the final checks that BDO had been performing, some 'technical' queries were raised in relation to the accounting treatment of Keir Harlow – when the JVCo ended and HTS was formed.
13. These technical issues required the council to consult with the Actuaries and to commission technical support and a consultation piece from CIPFA, around the very specific nature of BDO's queries.
14. This very specialist piece of Consultation work became elongated, due to lack of resources (by CIPFA), the call on the available resource, holidays period of sickness and missed deadlines. This was also coupled with the availability of BDO's auditors, their technical team and again availability.

### **Re-mapping all adjustments**

15. Given the issues already outlined in relation to the number of officers that have been responsible for updating the statements and the exceptionally long audit period it was necessary to produce a complete mapping exercise from the original draft set of 18/19 accounts to final version after the Kier Harlow pensions issues had finally been agreed.

16. This exercise proved to be more difficult than anticipated and ultimately required a complete rebuild based on the Auditors Adjustments for both 17/18 and 18/19 to be undertaken, this mapping identified additional errors and discrepancies.
17. In conjunction with BDO, all the adjustments and errors were worked through until a final version that mapped all changes and cast them correctly had been produced.
18. The statement being presented to the Committee now contains all the agreed changes and has been agreed by BDO.

## **IMPLICATIONS**

### **Strategic Growth and Regeneration**

None Specific

**Author: Andrew Bramidge, Director of Strategic Growth and Regeneration**

### **Finance**

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 Director of Finance**

### **Housing**

None Specific

**Author: Andrew Murray, Director of Housing**

### **Communities and Environment**

None Specific

**Author: Jane Greer, Director of Communities and Environment**

### **Governance and Corporate Services**

None Specific

**Author: Simon Hill, Director of Governance and Corporate Services**

### **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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# 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

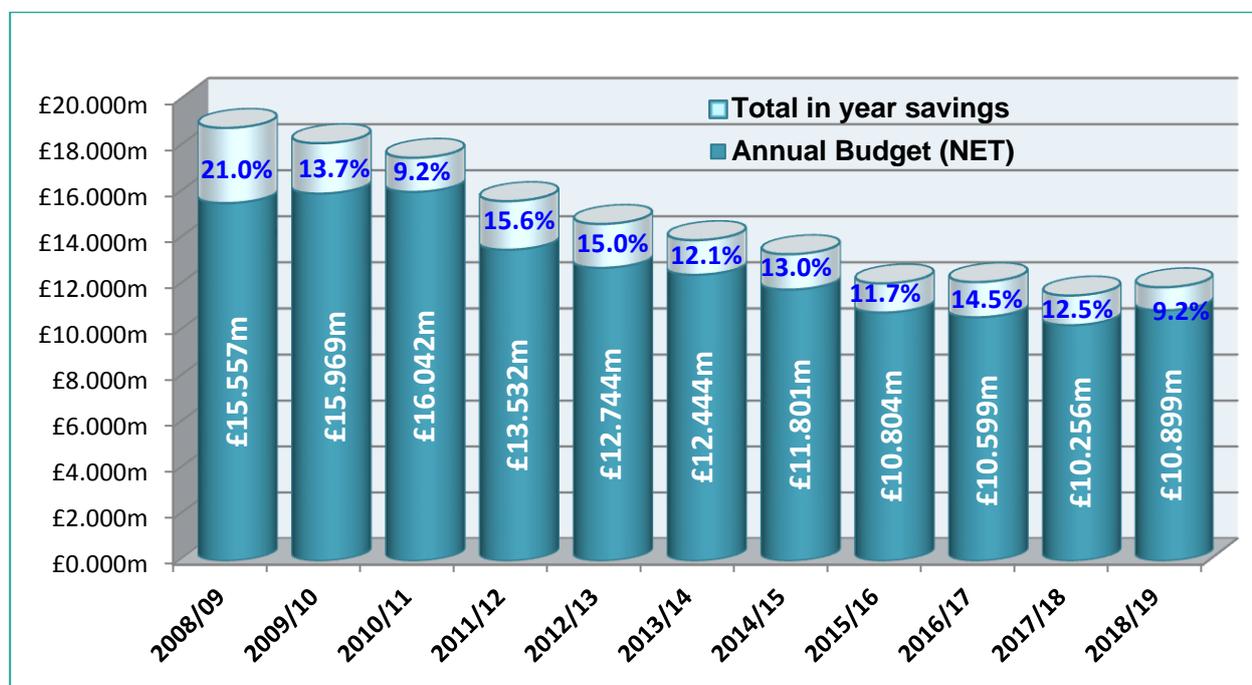
The Council has an annual net General Fund expenditure of £12.4 million and over 2,500 leasehold properties at a gross cost of over £50 million. The Council currently delivers an annual capital investment programme of £27.6 million.

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
<b>Total in year savings</b>	3,260	2,183	1,479	2,107	1,906	1,502	1,534	1,264	1,527	1,286	1,000
<b>Cumulative savings</b>	3,260	5,443	6,922	9,029	10,935	12,437	13,971	15,235	16,762	18,048	19,048
<b>Annual Budget (NET)</b>	15,557	15,969	16,042	13,532	12,744	12,444	11,801	10,804	10,599	10,256	10,899
<b>Annual savings as % of Annual Budget (NET)</b>	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:

General Fund Outturn	Original Estimate	Revised Estimate	Actual	Variance to Original
<b>Council Services</b>				
Managing Director	18	27	0	(18)
Finance	3337	3337	3581	244
Community Wellbeing	4120	4212	4175	55
Housing (GF)	1,108	1,104	936	(172)
Governance	763	768	509	(254)
Place	3,888	3,923	3,864	(24)
<b>Net Service Expenditure</b>	<b>13,234</b>	<b>13,371</b>	<b>13,065</b>	<b>(169)</b>
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)
	<b>9,008</b>	<b>9,145</b>	<b>3,943</b>	<b>(5,065)</b>
<b>Transfers to/(from) Reserves</b>	1,134	1,134	8,450	7,316
<b>Total Net Spending for the Year</b>	<b>10,142</b>	<b>10,279</b>	<b>12,393</b>	<b>2,251</b>
<b>Met by:</b>				
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)
	<b>(10,142)</b>	<b>(10,279)</b>	<b>(12,393)</b>	<b>(2,251)</b>

#### General Fund Budget Variations (Actual Against Original Estimate)

## NARRATIVE REPORT

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.

### Revenue spending - Housing Revenue Account

The following table summarises the outturn position:

HOUSING REVENUE ACCOUNT OUTTURN	Current Budget £000s	Actual £000s	Variance £000s
<b>Expenditure</b>			
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	-
Major Repairs Allowance (Net Depreciation)	11,439	10,361	(1,078)
Interest Charges	17	8	(9)
Debt Management Expenses	6,669	6,696	27
Revenue Contribution to Capital expenditure	5,914	4,547	(1,367)
Transfer to/from Insurance Fund	112	196	84
<b>Total Spending for Year</b>	<b>53,190</b>	<b>50,822</b>	<b>(2,368)</b>
<b>Income</b>			
Dwelling Rents	(43,175)	(42,908)	267
Non-Dwelling Rents	(1,142)	(965)	177
Other Rents	(65)	(63)	2
Charges for Services & Facilities	(5,006)	(5,779)	(773)
Interest Receivable	(62)	(138)	(76)
<b>Total Income for Year</b>	<b>(49,450)</b>	<b>(49,853)</b>	<b>(403)</b>
<b>Net (Surplus)/Deficit</b>	<b>3,740</b>	<b>969</b>	<b>(2,771)</b>

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)

## **NARRATIVE REPORT**

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.
- 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

## ***NARRATIVE REPORT***

- 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
- 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

## ***NARRATIVE REPORT***

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.

### **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.

## ***NARRATIVE REPORT***

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;
- 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.

## ***NARRATIVE REPORT***

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.
- 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](http://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 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)**

## ***NARRATIVE REPORT***

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 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.

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](http://www.harlow.gov.uk/your-council/spending-and-performance)

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## ***NARRATIVE REPORT***

- contact me by e-mail at [simon.freeman@harlow.gov.uk](mailto: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](mailto: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

Note	Movements in Reserves during 2018/19	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
	<b>Balance at 1 April 2018 Brought Forward</b>	(6,735)	(17,232)	(14,101)	(4,507)	(7,058)	-	(1,946)	(51,579)	(556,149)	(607,728)
	Adjustments to opening Balances								-	2	2
	<b>Adjusted Balance as at 1st April 2018 Bfwd</b>	(6,735)	(17,232)	(14,101)	(4,507)	(7,058)	-	(1,946)	(51,579)	(556,147)	(607,726)
CIES	(Surplus)/Deficit on Provision of Services	6,921		17,196		-		-	24,117		24,117
CIES	Other Comprehensive Expenditure and Income								-	(31,792)	(31,792)
CIES	<b>Total Comprehensive Expenditure and Income</b>	<b>6,921</b>	<b>-</b>	<b>17,196</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,117</b>	<b>(31,792)</b>	<b>(7,675)</b>
7	Adjustments between Accounting Basis and Funding Basis under Regulations	(13,452)		(16,209)		2,584		648	(26,429)	26,429	-
	<b>Net (Increase)/Decrease before Transfers to Reserves</b>	<b>(6,531)</b>	<b>-</b>	<b>987</b>	<b>-</b>	<b>2,584</b>	<b>-</b>	<b>648</b>	<b>(2,312)</b>	<b>(5,363)</b>	<b>(7,675)</b>
8	Transfer to/from Reserves	8,449	(8,449)	(19)	19			-		-	-
	<b>(Increase)/Decrease in Year 2018/19</b>	<b>1,918</b>	<b>(8,449)</b>	<b>969</b>	<b>19</b>	<b>2,584</b>	<b>-</b>	<b>648</b>	<b>(2,311)</b>	<b>(5,363)</b>	<b>(7,674)</b>
	<b>Balance at 31 March 2019 Carried Forward</b>	<b>(4,817)</b>	<b>(25,681)</b>	<b>(13,132)</b>	<b>(4,488)</b>	<b>(4,474)</b>	<b>-</b>	<b>(1,298)</b>	<b>(53,890)</b>	<b>(561,510)</b>	<b>(615,400)</b>

## Comparator 2017/18

Note	Movements in Reserves during 2018/19	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
	<b>Balance at 1 April 2017 Brought Forward</b>	(5,459)	(16,459)	(12,973)	(4,434)	(1,893)		(3,583)	(44,801)	(505,782)	(550,583)
	Adjustments to opening Balances								(2)		(2)
	Restatement		(2)						-	(6,487)	(6,487)
	Other adjustment - Identified during Audit								-	(279)	(279)
	<b>Adjusted Balance as at 1st April 2017 Bfwd</b>	(5,459)	(16,461)	(12,973)	(4,434)	(1,893)	-	(3,583)	(44,803)	(512,548)	(557,351)
CIES	(Surplus)/Deficit on Provision of Services	2,787		33,880		-		-	36,667		36,667
CIES	Other Comprehensive Expenditure and Income								-	(87,044)	(87,044)
CIES	<b>Total Comprehensive Expenditure and Income</b>	<b>2,787</b>	<b>-</b>	<b>33,880</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,667</b>	<b>(87,044)</b>	<b>(50,377)</b>
7	Adjustments between Accounting Basis and Funding Basis under Regulations	(4,834)		(35,081)		(5,165)		1,637	(43,443)	43,443	-
	<b>Net (Increase)/Decrease before Transfers to Reserves</b>	<b>(2,047)</b>	<b>-</b>	<b>(1,201)</b>	<b>-</b>	<b>(5,165)</b>	<b>-</b>	<b>1,637</b>	<b>(6,776)</b>	<b>(43,601)</b>	<b>(50,377)</b>
8	Transfer to/from Reserves	771	(771)	73	(73)			-	-	-	-
	<b>(Increase)/Decrease in Year 2017/18</b>	<b>(1,276)</b>	<b>(771)</b>	<b>(1,128)</b>	<b>(73)</b>	<b>(5,165)</b>	<b>-</b>	<b>1,637</b>	<b>(6,776)</b>	<b>(43,601)</b>	<b>(50,377)</b>
	<b>Balance at 31 March 2018 Carried Forward</b>	<b>(6,735)</b>	<b>(17,232)</b>	<b>(14,101)</b>	<b>(4,507)</b>	<b>(7,058)</b>	<b>-</b>	<b>(1,946)</b>	<b>(51,579)</b>	<b>(556,149)</b>	<b>(607,728)</b>

Statement of Accounts 2018/19

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note	2018/19			Restated 2017/18
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000
Managing Director and Services		185	-	185	240
Corporate Services		1,052	-	1,052	-
Community Wellbeing		7,673	(2,277)	5,396	4,432
Finance		33,219	(29,577)	3,642	4,320
Place		15,665	(11,760)	3,905	3,209
Housing GF		2,360	(937)	1,423	600
Governance		2,173	(337)	1,836	1,620
Housing HRA		54,046	(49,023)	5,023	11,652
<b>Cost of Services</b>		<b>116,375</b>	<b>(93,911)</b>	<b>22,464</b>	<b>26,073</b>
Other Operating Expenditure	7			6,356	15,626
Financing and Investment Income and Expenditure	8			8,712	9,362
Taxation and Non-specific Grant Income	9			(13,415)	(14,394)
<b>(Surplus)/Deficit on Provision of Services</b>				<b>24,117</b>	<b>36,667</b>
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets				(15,703)	(73,163)
(Surplus)/ Deficit on Revaluation of Available for Sale Financial Assets				3	(77)
Actuarial (Gains)/ Losses on Pension Assets and Liabilities				(16,092)	(13,804)
<b>Other Comprehensive Income and Expenditure</b>				<b>(31,792)</b>	<b>(87,044)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(7,675)</b>	<b>(50,377)</b>

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

	Note		Restated	Restated
		2018/19 £'000	2017/18 £'000	1st April 2017 £'000
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
<b>Long Term Assets</b>		<b>883,595</b>	<b>878,129</b>	<b>843,188</b>
Short-Term Investments		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
<b>Current Assets</b>		<b>40,934</b>	<b>49,533</b>	<b>48,120</b>
Short-term Borrowing	12	(81)	(81)	(80)
Short-term Creditors	15	(16,522)	(13,564)	(17,121)
Short-term Provisions		(1,133)	(1,117)	(1,110)
Grants Receipts in Advance - Revenue	26	(3)	(151)	-
<b>Current Liabilities</b>		<b>(17,739)</b>	<b>(14,913)</b>	<b>(18,311)</b>
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)	(103,530)
Grants Receipts in Advance - Capital	26	(999)	(539)	(244)
Grants Receipts in Advance - Revenue		(148)	(108)	-
<b>Long Term Liabilities</b>		<b>(291,390)</b>	<b>(305,021)</b>	<b>(315,928)</b>
<b>Net Assets</b>		<b>615,400</b>	<b>607,728</b>	<b>557,069</b>
Usable Reserves		(53,890)	(51,579)	(44,803)
Unusable Reserves	18	(561,510)	(556,149)	(512,266)
<b>Total Reserves</b>		<b>(615,400)</b>	<b>(607,728)</b>	<b>(557,069)</b>

\*\* 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

## CASH FLOW STATEMENT

	Note	2018/19 £'000	Restated 2017/18 £'000
Net Surplus or (Deficit) on the Provision of Services	CIES	(24,117)	(36,667)
Adjust to Surplus or Deficit on the Provision of Services for Non Cash Movements		47,374	59,513
Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		(7,820)	(5,836)
<b>Net Cash flows from Operating Activities</b>	<b>18</b>	<b>15,437</b>	<b>17,010</b>
Investing Activities	19	(17,988)	(10,435)
Financing Activities	20	(1,551)	(1,502)
<b>Net Increase or Decrease in Cash and Cash Equivalents</b>		<b>(4,102)</b>	<b>5,073</b>
Cash and Cash Equivalents at the beginning of the Reporting Period		25,603	20,530
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>		<b>21,501</b>	<b>25,603</b>

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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

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## 1. EXPENDITURE AND FUNDING ANALYSIS

Net Expenditure Chargeable to the General Fund	Restated 2017/18			2018/19	
	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis
£'000	£'000	£'000		£'000	£'000
234	6	240	Managing Director and Services	184	1
(877)	877	-	Corporate Services	-	1,052
3,292	1,140	4,432	Community Wellbeing	4,788	608
11,158	(6,838)	4,320	Finance	3,979	(337)
(2,816)	6,025	3,209	Place	1,485	2,420
452	148	600	Housing GF	1,450	(27)
1,175	445	1,620	Governance	1,873	(37)
(11,388)	23,040	11,652	Housing HRA	(10,424)	15,447
<b>1,230</b>	<b>24,843</b>	<b>26,073</b>	<b>Net Cost of Services</b>	<b>3,337</b>	<b>19,127</b>
(4,478)	15,073	10,594	<b>Other Income and Expenditure</b>	(8,880)	10,533
<b>(3,248)</b>	<b>39,916</b>	<b>36,667</b>	<b>Surplus or Deficit</b>	<b>(5,543)</b>	<b>29,660</b>
(39,325)			<b>Opening General Fund and HRA Balance</b>	(42,575)	
(3,248)			<b>Surplus/(Deficit) on General Fund and HRA in year</b>	(5,543)	
<b>(42,573)</b>			<b>Closing General Fund Balance as at 31 March 2020</b>	<b>(48,118)</b>	

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

2018/19	Adjustments for capital Purposes £'000	Net change for the Pensions Adjustment £'000	Other Differences £'000	Total Adjustments £'000
Managing Director and Services	-	-	(1)	(1)
Corporate Services	-	(1,052)	-	(1,052)
Community Wellbeing	(702)	94	-	(608)
Finance	(185)	523	(1)	337
Place	(2,513)	88	5	(2,420)
Housing GF	(4)	31	-	27
Governance	-	36	1	37
Housing HRA	(15,341)	-	(106)	(15,447)
<b>Net Cost of Services</b>	<b>(18,745)</b>	<b>(280)</b>	<b>(102)</b>	<b>(19,127)</b>
Other Income and Expenditure	(5,603)	(2,366)	(2,564)	(10,533)
<b>Differences between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(24,348)</b>	<b>(2,646)</b>	<b>(2,666)</b>	<b>(29,660)</b>

#### Comparator 2017/18

Restated 2017/18	Adjustments for capital Purposes £'000	Net change for the Pensions Adjustment £'000	Other Differences £'000	Total Adjustments £'000
Managing Director and Services	-	(8)	2	(6)
Corporate Services	-	(877)	-	(877)
Community Wellbeing	(687)	(452)	(1)	(1,140)
Finance	4,742	2,094	2	6,838
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)
<b>Net Cost of Services</b>	<b>(25,360)</b>	<b>532</b>	<b>(14)</b>	<b>(24,843)</b>
Other Income and Expenditure	(14,034)	(2,941)	1,902	(15,073)
<b>Differences between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(39,394)</b>	<b>(2,409)</b>	<b>1,888</b>	<b>(39,916)</b>

## Note1b - Expenditure and Income Analysed by Nature

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:

<b>Nature of Income or Expenditure</b>	<b>2018/19 £'000</b>	<b>Restated 2017/18 £'000</b>
<b>Income</b>		
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)
<b>Total Income</b>	<b>(107,996)</b>	<b>(112,109)</b>
<b>Expenditure</b>		
Employee Benefits Expenses	20,445	15,292
Other Services Expenses	61,975	71,194
Depreciation, Amortisation and Impairment	33,954	38,281
Interest Payments	9,383	8,383
Payment to Housing Capital Receipts Pool	4,485	2,230
Loss / (Gain) on the Disposal of Assets	1,871	13,396
<b>Total Expenditure</b>	<b>132,113</b>	<b>148,776</b>
<b>Surplus/Deficit on the Provision of Services</b>	<b>24,117</b>	<b>36,667</b>

## 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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 on pension fund assets. Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a reduction in the pension liability of £4.120 million.
	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.	However, the assumptions interact in complex ways. During 2018/19, the 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.
Arrears	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.	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.
Britain leaving the European Union	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.	It is not possible to quantify the effect on values should the Council's assumption prove incorrect.

#### 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

General Fund Balance	Housing Revenue Account	Restated 2017/18				2018/19					
		Usable Capital Receipts	Capital Grants Unapplied	Movement in Unusable Reserves		General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
					<b>Adjustments Involving the Capital Adjustment Account</b>						
					<b>Reversal of items Debited/(Credited) to the CIES:</b>						
(1,577)	(15,155)			16,732	Charges for Depreciation and Impairment of Non-Current Assets	(2,864)	(17,030)				19,894
1,184	(9,848)			8,664	Revaluation Losses on Property, Plant and Equipment	(881)	(2,533)				3,414
117				(117)	Movements in the Market Value of Investment Properties	-	-				-
(790)				790	Reverse Impairments in the year from Revaluation Increase	621	210				(831)
(234)	(98)			332	Amortisation of Intangible Assets	(239)	(76)				315
662				(662)	Capital Grants and Contributions Applied	755	120				(875)
(557)				557	Revenue Expenditure Funded from Capital under Statute	(673)	-				673
(2,038)	(19,851)			21,889	Amounts of Non-current Assets written off on disposal or sale as part of the (Gain)/Loss on Disposal to the CIES	(480)	(7,971)				8,451
-				-	Soft Loans – Adjustments	-	-				-
-				-	<b>Insertion of items not Debited/(Credited) to the CIES</b>	-	-				-
218				(218)	Statutory Provision for the Financing of Capital Investment	250	-				(250)
-				-	Additional Provision for the Financing of Capital Investment relating to Internal Repayment of Prudential Borrowing	-	-				-
616	1,503			(2,119)	Capital Expenditure charged against the General Fund	269	3,950				(4,219)
-				-	Principal repayment of finance Leases where the Council is the lessee	-	-				-
-				-	<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>	-	-				-
-				-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-				-
-				-	<b>Adjustment primarily involving the Capital Grants Unapplied Account</b>	-	-				-
-				(1,733)	Application of Grants to Capital financing transferred to the Capital Adjustment Account for Revenue Expenditure Funded from Capital under Statute	-	-			576	(576)
54	42			(96)	Capital Grants & Contributions unapplied credit to the Comp I & E	(82)	10			72	-

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General Fund Balance	Housing Revenue Account	Restated 2017/18				2018/19					
		Usable Capital Receipts	Capital Grants Unapplied	Movement in Unusable Reserves		General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
					<b>Adjustment Primarily Involving the capital Receipts Reserve</b>						
759	7,845	(8,655)		51	Transfer of cash sale proceeds credited as part of the gain/loss on disposal of the CIES	329	5,818	(6,147)			-
-		1,260		(1,260)	Use of Capital Receipts Reserve to Finance New Capital Expenditure	-	-	4,247			(4,247)
(2,230)		2,230		-	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
-					<b>Adjustments Involving the Financial Instruments Adjustment Account:</b>	-	-				
-	10			(10)	Amount by which Finance Costs Charged to the CIES are different from Finance Costs Chargeable in the Year (in accordance with statutory requirements)	-	7				(7)
-					<b>Adjustments Involving the Pensions Reserve:</b>	-	-				
(4,960)	(2,733)			7,693	Reversal of items relating to Post-Employment Benefits Debited/(Credited) to the (Surplus)/Deficit on the Provision of Services in the CIES	(6,081)	(1,335)				7,416
2,058	3,208			(5,266)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	2,677	2,618				(5,295)
-					<b>Adjustment primarily involving the Major Repairs Reserve:</b>	-	-				
-			(11,801)	11,801	Reversal of Major Repairs Allowance credited to the HRA	-	-		(10,362)		10,362
-			11,801	(11,801)	Use of the Major Repairs Reserve to finance new capital expenditure	-	-		10,362		(10,362)
-					<b>Adjustments Involving the Collection Fund Adjustment Account:</b>	-	-				
1,893				(1,893)	Amount by which Council Tax Income Credited to the CIES is different from Council Tax Income Calculated for the Year (in accordance with statutory requirements)	(2,571)	-				2,571
-					<b>Adjustment Involving the Accounting Compensated Absences Adjustment Account:</b>	-	-				
(9)	(4)			13	Amount by which Officer Remuneration charged to the CIES on an Accruals basis is different from Remuneration Chargeable in the Year (in accordance with statutory requirements)	3	3				(6)
<b>(4,834)</b>	<b>(35,081)</b>	<b>(5,165)</b>	<b>1,637</b>	<b>43,443</b>	<b>Total Adjustments</b>	<b>(13,452)</b>	<b>(16,209)</b>	<b>2,584</b>	<b>-</b>	<b>648</b>	<b>26,429</b>

## 7. OTHER OPERATING EXPENDITURE

	2018/19	2017/18
	£'000	£'000
Payments to the Government Housing Capital Receipts Pool	4,485	2,230
Net (Gains) on the Disposal of Non-current Assets	1,871	13,396
	<b>6,356</b>	<b>15,626</b>

## 8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2018/19	2017/18
	£'000	£'000
Interest Payable and similar charges	7,033	7,032
Net Interest on the net defined Benefit Liability (Asset)	2,366	2,731
Interest (Receivable) and similar income	(577)	(193)
Net (Gains) and Losses on Fair Value Adjustments on Investment Properties	(10)	(117)
Other investment income	(100)	(91)
	<b>8,712</b>	<b>9,362</b>

## 9. TAXATION AND NON-SPECIFIC GRANT INCOME

	2018/19	2017/18
	£'000	£'000
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)
	<b>(13,415)</b>	<b>(14,394)</b>

## 10. PROPERTY, PLANT AND EQUIPMENT

Movements in 2018/19

Movements in 2018/19	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
<b>Cost Valuation:</b>								
<b>At 1 April 2018</b>	<b>725,374</b>	<b>129,155</b>	<b>6,995</b>	<b>9,389</b>	<b>948</b>	<b>5,822</b>	<b>4,851</b>	<b>882,534</b>
Adjustments to opening balance								-
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)
<b>Balance as at 31 March 2019</b>	<b>720,924</b>	<b>130,899</b>	<b>7,317</b>	<b>10,025</b>	<b>1,142</b>	<b>1,654</b>	<b>11,622</b>	<b>883,583</b>
<b>Accumulated Depreciation and Impairment:</b>								
<b>At 1 April 2018</b>	<b>-</b>	<b>(3,334)</b>	<b>(5,666)</b>	<b>(2,495)</b>	<b>(2)</b>	<b>(5)</b>	<b>-</b>	<b>(11,502)</b>
Adjustment to opening balance								-
Depreciation Charge	(10,123)	(1,284)	(279)	(311)	(7)	(11)		(12,015)
Depreciation written out to the Revaluation Reserve	5,305	1,563				7		6,875
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	4,818	34				(3)		4,849
<b>At 31 March 2019</b>	<b>-</b>	<b>(3,021)</b>	<b>(5,945)</b>	<b>(2,806)</b>	<b>(9)</b>	<b>(12)</b>	<b>-</b>	<b>(11,793)</b>
<b>Net Book Value at 31 March 2021:</b>	<b>720,924</b>	<b>127,878</b>	<b>1,372</b>	<b>7,219</b>	<b>1,133</b>	<b>1,642</b>	<b>11,622</b>	<b>871,790</b>
Net Book Value at 31 March 2020:	725,374	125,821	1,329	6,894	946	5,817	4,851	871,032

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## Comparative Movements 2017/18

Movements in 2017/18	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
<b>Cost Valuation:</b>								
<b>At 1 April 2017</b>	<b>693,182</b>	<b>127,270</b>	<b>6,532</b>	<b>9,148</b>	<b>947</b>	<b>8,311</b>	<b>920</b>	<b>846,310</b>
Adjustments to opening balance								-
Additions	13,173	3,480	463	241	1	51	3,302	20,711
Revaluation Increases/Decreases to Revaluation Reserve	50,623	(1,502)				9,412		58,533
Revaluation Decreases to Surplus/Deficit	(22,984)	125						(22,859)
Revalued Assets- no net increase (impairment reversals)								-
Revalued Assets - Reversal of Loss								-
Derecognition - Disposals	(3,128)	(502)				(49)		(3,679)
Derecognition - Other						(15,040)		(15,040)
Reclassification and Transfers	(5,492)	284				3,137	629	(1,442)
<b>Balance as at 31 March 2018</b>	<b>725,374</b>	<b>129,155</b>	<b>6,995</b>	<b>9,389</b>	<b>948</b>	<b>5,822</b>	<b>4,851</b>	<b>882,534</b>
<b>Accumulated Depreciation and Impairment:</b>								
<b>At 1 April 2017</b>	<b>-</b>	<b>(3,410)</b>	<b>(5,386)</b>	<b>(2,192)</b>	<b>(2)</b>	<b>(43)</b>	<b>-</b>	<b>(11,033)</b>
Adjustment to opening balance								-
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 CIES						2		2
Impairment losses recognised in the CIES								-
Derecognition - disposals								-
Other movements in depreciation and impairment		57						57
Reclassification and Transfers								-
<b>At 31 March 2018</b>	<b>-</b>	<b>(3,334)</b>	<b>(5,666)</b>	<b>(2,495)</b>	<b>(2)</b>	<b>(5)</b>	<b>-</b>	<b>(11,502)</b>
<b>Net Book Value at 31 March 2018:</b>	<b>725,374</b>	<b>125,821</b>	<b>1,329</b>	<b>6,894</b>	<b>946</b>	<b>5,817</b>	<b>4,851</b>	<b>871,032</b>
Net Book Value at 31 March 2017:	693,182	123,860	1,146	6,956	945	8,268	920	835,277

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	2018/19 £'000
Enterprise Zone	5,460
	2,968
Prentice Place	2,041
Sports and Leisure	51
<b>Total</b>	<b>10,520</b>

## 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 (EUUV) 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".

<b>Net Book Values</b>	<b>Council Dwellings £000s</b>	<b>Other Land and Buildings £000s</b>	<b>Vehicles, Plant, Furniture and Equipment £000s</b>	<b>Surplus Assets £000s</b>	<b>Total £000s</b>
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.

<b>2018/19</b>	<b>Museum Artefacts £'000</b>	<b>Community Heritage Assets £'000</b>	<b>Art Collection £'000</b>	<b>Total £'000</b>
<b>Cost or Valuation</b>				
Balance at start of year	612	154	857	1,623
Additions				-
Revaluation Increase/ (Decrease)		-	117	117
Recognised in the CIES				-
	<b>612</b>	<b>154</b>	<b>974</b>	<b>1,739</b>
<b>Accumulated Depreciation and Impairment</b>				
Balance at start of year	-		-	-
Depreciation Charged in Year	-	(1)	-	(1)
Impairments recognised to CIES				-
Balance at end of year	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>
<b>NBV AS AT 31 MARCH 2019</b>	<b>612</b>	<b>152</b>	<b>974</b>	<b>1,738</b>

2017/18	Museum Artefacts £'000	Community Heritage Assets £'000	Art Collection £'000	Total £'000
<b>Cost or Valuation</b>				
<b>Balance at start of year</b>	<b>612</b>	<b>153</b>	<b>857</b>	<b>1,622</b>
Additions	-	-	-	-
Impairment Losses (reversals)	-	1	-	1
Revaluation Increase/ (Decrease)	-	-	-	-
Recognised in the CIES	-	-	-	-
	<b>612</b>	<b>154</b>	<b>857</b>	<b>1,623</b>
<b>Accumulated Depreciation and Impairment</b>				
Balance at start of year	-	-	-	-
Depreciation Charged in Year	-	(1)	-	(1)
Impairments recognised to CIES	-	-	-	-
Balance at end of year	-	<b>(1)</b>	-	<b>(1)</b>
<b>NBV AS AT 31 MARCH 2018</b>	<b>612</b>	<b>153</b>	<b>857</b>	<b>1,622</b>

#### 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 17<sup>th</sup> century at Canons Brook, the garden wall at Passmores House (part of the remains of a moated medieval site and later a 16<sup>th</sup> 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	
	31-Mar-19 £'000	31-Mar-18 £'000	31-Mar-19 £'000	31-Mar-18 £'000
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		
<b>Total Financial Assets</b>	<b>3,961</b>	<b>1,955</b>	<b>4,136</b>	<b>1,417</b>

	Current			
	Investments etc		Debtors	
	31-Mar-19 £'000	31-Mar-18 £'000	31-Mar-19 £'000	31-Mar-18 £'000
Fair Value through profit or loss	9,710	14,170	-	
Amortised Cost	19,315	22,734	4,985	6,869
<b>Total Financial Assets</b>	<b>29,025</b>	<b>36,904</b>	<b>4,985</b>	<b>6,869</b>

	Total	
	31-Mar-19 £'000	31-Mar-18 £'000
Fair Value through profit or loss	9,710	14,170
Amortised Cost	28,436	31,020
Fair Value through other comprehensive Income - designated	3,961	1,955
<b>Total Financial Assets</b>	<b>42,107</b>	<b>47,145</b>

### Financial Liabilities

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

	Non-Current			
	Investments etc		Debtors	
	31-Mar-19 £'000	31-Mar-18 £'000	31-Mar-19 £'000	31-Mar-18 £'000
Amortised Cost	211,837	211,837	224	383
<b>Total Financial Assets</b>	<b>211,837</b>	<b>211,837</b>	<b>224</b>	<b>383</b>

	Current			
	Investments etc		Debtors	
	31-Mar-19 £'000	31-Mar-18 £'000	31-Mar-19 £'000	31-Mar-18 £'000
Amortised Cost	81	81	9,138	6,935
<b>Total Financial Assets</b>	<b>81</b>	<b>81</b>	<b>9,138</b>	<b>6,935</b>

	Total	
	31-Mar-19 £'000	31-Mar-18 £'000
Amortised Cost	221,279	219,236
<b>Total Financial Assets</b>	<b>221,279</b>	<b>219,236</b>

### 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.

<b>Note: Fair Value is assessed</b>	<b>31-Mar-19</b> £'000	<b>31-Mar-18</b> £'000
<b>Non-current assets (Long Term)</b>		
CCLA Property Fund	1,985	1,955
Royal London Cash plus Fund	1,976	
<b>Total</b>	<b>3,961</b>	<b>1,955</b>

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

<b>Income, Expense, Gains and Losses</b>	<b>Surplus or Deficit on the</b>		<b>Other Comprehensive Income</b>	
	<b>31-Mar-19</b> £'000	<b>31-Mar-18</b> £'000	<b>31-Mar-19</b> £'000	<b>31-Mar-18</b> £'000
<b>Net gains / losses on:</b>				
Investment in equity instruments designated at fair value through other comprehensive income	-	-	(7)	(88)
<b>Total net (gains) / losses</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>(88)</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	(577)	(193)	(100)	(91)
<b>Total interest revenue</b>	<b>(577)</b>	<b>(193)</b>	<b>(100)</b>	<b>(91)</b>
<b>Interest expense</b>	<b>7,033</b>	<b>7,032</b>		

### 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 (PWL) 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 Value of Financial Assets and Financial Liabilities	31-Mar-19		31-Mar-18	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Financial Asset's</b>				
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
<b>Total Assets</b>	<b>40,883</b>	<b>40,883</b>	<b>45,833</b>	<b>45,813</b>
<b>Financial Liabilities</b>				
PWLB Borrowing	211,837	246,859	211,837	243,864
Trade Payables	9,361	9,361	7,316	7,316
<b>Total interest Liabilities</b>	<b>221,198</b>	<b>256,220</b>	<b>219,153</b>	<b>251,180</b>

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.

Debtors	31-Mar-19	Restated	31-Mar-18
	£'000	31-Mar-18	£'000
Trade receivables	4,984	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
<b>Sub Total</b>	<b>10,315</b>	<b>11,048</b>	<b>13,067</b>
Allowance for doubtful debt (other entities and individuals)	-	-	-
<b>Total</b>	<b>10,315</b>	<b>11,048</b>	<b>13,067</b>

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:

Cash and Cash Equivalents	31-Mar-19 £'000	31-Mar-18 £'000
Cash held by Officers	14	8
Bank Current Accounts	1,273	1,391
Short Term Deposits	20,214	24,204
<b>Total Cash and Cash Equivalents</b>	<b>21,501</b>	<b>25,603</b>

## 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-Mar-19 £'000	Restated Balance as at 31-Mar-18 £'000	31-Mar-18 £'000
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)
<b>Total</b>	<b>(16,522)</b>	<b>(13,564)</b>	<b>(16,285)</b>

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.

	31-Mar-19 £'000	31-Mar-18 £'000
<b>Usable Reserves</b>		
General Fund Balances	(4,817)	(6,735)
HRA Balance	(13,132)	(14,103)
Earmarked Reserves		
General Fund	(19,608)	(13,682)
HRA	(4,473)	(4,507)
Earmarked Grants Reserve (Gen Fund)	(6,073)	(3,548)
Earmarked Grants Reserve (HRA)	(15)	
Capital Grantsw Unapplied	(1,298)	(1,946)
Capital Receipts Reserve	(4,474)	(7,058)
<b>Total</b>	<b>(53,890)</b>	<b>(51,579)</b>

## Earmarked Reserves

	Balance as at 31 March 2017 £'000	Transfer Out 2017/18 £'000	Transfer In 2017/18 £'000	Balance as at 31 March 2018 £'000	Transfer Out 2018/19 £'000	Transfer In 2018/19 £'000	Balance as at 31 March 2019 £'000
<b>General Fund:</b>							
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)
<b>Total General Fund</b>	<b>(13,091)</b>	<b>1,913</b>	<b>(2,506)</b>	<b>(13,684)</b>	<b>2,030</b>	<b>(7,954)</b>	<b>(19,608)</b>
<b>HOUSING REVENUE ACCOUNT RESERVES</b>							
Perpetuity reserves	(1,596)	377	(379)	(1,598)	395	(236)	(1,439)
Housing insurance property reserve	(10)	-	(10)	(20)	-	(10)	(30)
HRA OJES 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)
<b>Total Housing Revenue Account</b>	<b>(4,434)</b>	<b>647</b>	<b>(720)</b>	<b>(4,507)</b>	<b>617</b>	<b>(583)</b>	<b>(4,473)</b>
<b>EARMARKED GRANTS RESERVES</b>							
General Fund	(3,370)	60	(238)	(3,548)	156	(2,681)	(6,073)
Housing Revenue Account	-	-	-	-	-	(15)	(15)
<b>Total Earmarked Grants Reserves</b>	<b>(3,370)</b>	<b>60</b>	<b>(238)</b>	<b>(3,548)</b>	<b>156</b>	<b>(2,696)</b>	<b>(6,088)</b>
<b>Total Earmarked Reserves</b>	<b>(20,895)</b>	<b>2,620</b>	<b>(3,464)</b>	<b>(21,739)</b>	<b>2,803</b>	<b>(11,233)</b>	<b>(30,169)</b>

## 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

	31-Mar-19 £'000	31-Mar-18 £'000
<b>Revaluation Balances</b>		
Revaluation Reserve	(440,534)	(432,661)
Financial Instruments Revaluation Reserve	39	47
<b>Adjustment Accounts</b>		
Capital Adjustment Account	(198,867)	(212,792)
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	60
<b>Total Unusable Reserves</b>	<b>(561,510)</b>	<b>(556,149)</b>

### 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 Movements in Year	31-Mar-19 £'000	31-Mar-18 £'000
<b>Balance at 1 April</b>	<b>(432,661)</b>	<b>(378,574)</b>
Upward Revaluation of Assets	(19,566)	(78,483)
Downward Revaluation of Assets	3,863	5,320
Impairment Losses		
<b>In Year surplus on revaluation of non-current assets</b>	<b>(15,703)</b>	<b>(73,163)</b>
Difference between Fair Value Depreciation and Historical Cost Depreciation	7,280	7,913
Accumulated Gains on Assets Sold or Scrapped written off to the Capital Adjustment Account	550	11,163
<b>In Year amounts written out to the Capital Adjustment Account</b>	<b>7,830</b>	<b>19,076</b>
<b>Balance at 31st March</b>	<b>(440,534)</b>	<b>(432,661)</b>

### 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.

<b>Capital Adjustment Account Movements in year 2019- 20</b>	<b>31-Mar-19 £'000</b>	<b>31-Mar-18 £'000</b>
<b>Balance at 1 April</b>	<b>(212,792)</b>	<b>(236,584)</b>
Opening Balance Adjustment		-
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		-
Charges for depreciation and impairment of non-current assets	29,060	27,701
Revaluation losses on Property, Plant and Equipment	3,794	9,899
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	8,451	22,265
Adjusting amounts written out of the Revaluation Reserve	(7,830)	(19,075)
Net written out amount of the cost of non-current assets consumed in the year	-	-
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)
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(10)	(107)
<b>Closing Balance 31st March</b>	<b>(198,867)</b>	<b>(212,792)</b>

### 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.

	<b>31-Mar-19</b> <b>£'000</b>	<b>31-Mar-18</b> <b>£'000</b>
<b>Balance at 1 April</b>	<b>92,154</b>	<b>103,530</b>
Actuarial (Gains)/Losses on Pensions Assets and Liabilities	(16,092)	(13,804)
Reversal of items relating to Retirement Benefits on the Provision of Services in the CIES	7,416	7,693
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(5,296)	(5,265)
<b>Balance at 31 March</b>	<b>78,182</b>	<b>92,154</b>

### 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.

	<b>31-Mar-19</b> <b>£'000</b>	<b>31-Mar-18</b> <b>£'000</b>
<b>Balance at 1 April</b>	<b>(2,229)</b>	<b>(336)</b>
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	2,571	(1,893)
<b>Balance at 31 March</b>	<b>342</b>	<b>(2,229)</b>

## 18. OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	<b>31-Mar-19</b> <b>£000</b>	<b>31-Mar-18</b> <b>£000</b>
Interest received	538	158
Interest paid	(7,033)	(7,010)
Dividends received	100	90
<b>Total</b>	<b>(6,395)</b>	<b>(6,762)</b>

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

	<b>31-Mar-19</b> £000	<b>Restated</b> <b>31-Mar-18</b> £000
Depreciation	12,015	6,762
Impairment and Downward valuations	21,555	47,551
Amortisation	315	332
Increase / Decrease in Creditors	3,884	(1,823)
Increase / Decrease in Debtors	(1,331)	(2,567)
Increase / Decrease in Inventories	(7)	1
Movement in Pension Liability	2,350	1,248
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
<b>Total</b>	<b>47,374</b>	<b>59,513</b>

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

	<b>31-Mar-19</b> £000	<b>Restated</b> <b>31-Mar-18</b> £000
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)
<b>Total</b>	<b>(7,820)</b>	<b>(5,836)</b>

## 19. INVESTING ACTIVITIES

	<b>31-Mar-19</b> £000	<b>Restated</b> <b>31-Mar-18</b> £000
Purchase of property, plant and equipment, investment property and intangible assets	(26,856)	(19,211)
Purchase of short-term and long-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 and long-term investments	40,300	-
Other receipts from investing activities	948	-
<b>Net cash flows from investing activities</b>	<b>(17,988)</b>	<b>(10,435)</b>

## 20. FINANCING ACTIVITIES

	<b>31-Mar-19</b> £000	<b>Restated</b> <b>31-Mar-18</b> £000
Other receipts from financing activities	-	1
Other payments for financing activities	(1,551)	(1,503)
<b>Net cash flows from financing activities</b>	<b>(1,551)</b>	<b>(1,502)</b>

## 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:

	31-Mar-19 £000	31-Mar-18 £000
Allowances	179	176
Expenses	9	8
<b>Total For the Year</b>	<b>188</b>	<b>184</b>

## 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.

2018/19	Salary, Fees and Allowance £	Compensation for Loss of Office £	Total Remuneration £	Pension Contributions £	Total £
Managing Director	130,900		130,900	0	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
<b>Total</b>	<b>624,258</b>	<b>0</b>	<b>624,258</b>	<b>78,617</b>	<b>702,875</b>

## Comparator 2017/18

2017/18	Salary, Fees and Allowance £	Taxable Expenses £	Total Remuneration £	Pension Contributions £	Total £
Managing Director	56,878		56,878	0	56,878
Chief Operating Officer	37,627		37,627	106,654	144,281
Chief Executive	74,116	82,395	156,511	0	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	0	47,045
<b>Total</b>	<b>647,827</b>	<b>82,395</b>	<b>730,222</b>	<b>177,096</b>	<b>907,318</b>

The table below 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.

Remuneration band	2018/19 Number of Employees	2017/18 Number of Employees
£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	-
£110,000-£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
<b>Total of Employees</b>	<b>27</b>	<b>23</b>

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 departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	31-Mar-19 Number	31-Mar-18 Number	31-Mar-19 Number	31-Mar-18 Number	31-Mar-19 Number	31-Mar-18 Number	31-Mar-19 £'000	31-Mar-18 £'000
Up to £20,000	-	-	2	2	2	2	14,457	4,247
£20,001-£40,000	-	-	-	1	-	1	-	35,861
£40,001-£60,000	-	-	-	-	-	-	-	-
£60,001-£80,000	-	-	-	-	-	-	-	-
£80,001-£100,000	-	-	-	1	-	1	-	82,395
£100,000-£150,000	-	-	-	1	-	1	-	100,520
<b>Total</b>	-	-	<b>2</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>14,457</b>	<b>223,023</b>

## 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.)

	31-Mar-19 £'000	31-Mar-18 £'000
Fees payable for external audit services carried out by the appointed auditor	62	78
Fees payable for other 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
<b>Total</b>	<b>124</b>	<b>85</b>

## 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:

	31-Mar-19 £'000	31-Mar-18 £'000
<b>Grants Credited to Taxation and Non-Specific Grant Income</b>		
Revenue Support Grant	178	603
Transitions Grant	0	25
Section 31 Grants	949	667
New Homes Bonus Grant	824	896
ECC Council Tax Sharign Agreement	-	252
Capital Grants	137	277
<b>Total Taxation and Specific Non-Service Government Grant Income</b>	<b>2,088</b>	<b>2,720</b>
<b>Other Revenue Grant Income:</b>		
<b>Department for Work and Pensions (DWP)</b>		
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

	31-Mar-19 £'000	31-Mar-18 £'000
<b>Other Revenue Grant Income: Continued</b>		
<b>Ministry of Housing, Communities and Local Government (MHCLG)</b>		
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
<b>Homes England</b>		
Growth Area Funding / Programme of Development	3	162
<b>Essex County Council</b>		
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 and Error Reduction Incentive Scheme	68	76
Collection Investment Income	59	55
<b>Other</b>		
Nicholls Field Pavillion	-	54
Town Park Heritage Lottery Fund	104	43
Other smaller grants	13	50
<b>Total Grant Income to Services</b>	<b>30,929</b>	<b>35,337</b>
<b>Total Grant Income to General Fund</b>	<b>33,017</b>	<b>38,057</b>

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:

<u>Long-term Liabilities</u>	31-Mar-19 £'000	31-Mar-18 £'000
<b>Grants Receipts in Advance - Capital</b>		
Disabled Facilities Grant	830	443
Programme of Development - external partners	169	96
<b>Total Unapplied Grants with conditions</b>	<b>999</b>	<b>539</b>

## 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](http://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.

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

### Comparator 2017/18

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

## 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 £'000	2017/18 £'000
<b>Opening Capital Financing Requirement</b>	<b>233,658</b>	<b>230,009</b>
<b>Capital Investment:</b>		
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
<b>Total Capital Investment</b>	<b>27,626</b>	<b>21,442</b>
<b>Sources of Finance:</b>		
Capital Receipts	(4,243)	(1,260)
Major Repairs Reserve	(10,362)	(11,801)
Government grants and other contributions	(1,482)	(2,395)
<b>Total Source of Finance</b>	<b>(16,087)</b>	<b>(15,456)</b>
<b>Sums set aside from revenue:</b>		
- Direct revenue contributions	(4,219)	(2,119)
- MRP	(250)	(218)
<b>Total Set aside from Revenue</b>	<b>(4,469)</b>	<b>(2,337)</b>
<b>Closing Capital Financing Requirement</b>	<b>240,728</b>	<b>233,658</b>
<b>Explanation of movements in year:</b>		
Increase in underlying need to borrowing (unsupported by Government Financial Assistance)	7,070	3,649
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>7,070</b>	<b>3,649</b>

## 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-Mar-19 £'000	31-Mar-18 £'000
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
<b>Total</b>	<b>7,663</b>	<b>8,315</b>

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:

		Restated	
	2018/19	2017/18	2017/18
	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>			
Cost of Services:			
• Current service cost	3,983	3,770	5,261
• Past service cost including curtailments	1,066	1,116	149
• Administration expenses	84	76	76
• Interest cost	2,283	2,731	2,700
<b>Total post-employment benefits charged to the surplus or deficit on the provision of services</b>	<b>7,416</b>	<b>7,693</b>	<b>8,186</b>
<b>Other post-employment benefits charged to the CIES</b>			
Remeasurement of the net benefit liability comprising:			
Return on plan assets (excluding amount included in the net interest expense)	11,572	8,977	8,760
Changes in financial assumptions	(11,640)	4,827	4,725
Actuarial gains/(losses) arising from the change of demographic assumptions	16,160	-	-
<b>Total post-employment benefit gains/(losses) charged to the CIES</b>	<b>16,092</b>	<b>13,804</b>	<b>13,485</b>
<b>Movement In Reserves Statement</b>			
Reversal of net charges made to the Surplus or Deficit on the provision of services for post-employment benefits in accordance with the Code	7,416	7,693	8,186
<b>Actual amount charged against the General Fund balance for pensions in the year</b>			
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.

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

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

		<b>Restated</b>	
	<b>2018/19</b> £'000	<b>2017/18</b> £'000	<b>2017/18</b> £'000
<b>Opening balance as at 1 April</b>	<b>205,771</b>	<b>192,165</b>	<b>192,560</b>
Interest Income	5,218	5,168	5,184
Return on assets less interest	11,572	8,977	8,760
Other Actuarial gains (loses)			
Administration expenses	(84)	(76)	(76)
Contributions from employer	5,296	5,264	6,585
Contribution from employees 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)	-	2,115	-
<b>Closing balance at 31 March</b>	<b>220,168</b>	<b>205,771</b>	<b>205,328</b>

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

		<b>Restated</b>	
	<b>2018/19</b> £'000	<b>2017/18</b> £'000	<b>2017/18</b> £'000
<b>Opening balance as at 1 April</b>	<b>(297,925)</b>	<b>(295,695)</b>	<b>(296,139)</b>
Current service cost and settlements	(3,983)	(3,770)	(5,261)
Interest cost	(7,501)	(7,899)	(7,884)
Change in financial assumptions	(11,640)	4,827	4,725
Change in demographic assumptions	16,160	-	-
Experience gain/(loss) on defined benefit obligation		-	
Liabilities assumed/(extinguished) on settlements		(3,081)	
Estimated Benefits paid net of transfers in	7,653	7,826	8,938
Past service costs, including curtailments	(1,066)	(149)	(149)
Contributions by Scheme participants and other employers	(745)	(699)	(1,968)
Unfunded pension payments	697	715	715
<b>Closing balance at 31 March</b>	<b>(298,350)</b>	<b>(297,925)</b>	<b>(297,023)</b>
<b>TOTAL NET LIABILITIES</b>	<b>(78,182)</b>	<b>(92,154)</b>	<b>(91,695)</b>

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

Asset Breakdown	Period Ended 31 March 2019				Period Ended 31 March 2018			
	Quoted Prices in active markets £'000	Percentage of Total Assets %	Unquoted prices not in active markets		Quoted Prices in active markets £'000	Percentage of Total Assets %	Unquoted prices not in active markets	
			£'000	%			£'000	%
<b>Index Linked Government Securites - UK</b>	11,669	5.3%			13,787	6.7%	-	-
<b>Corporate Bonds - UK</b>	12,770	5.8%			7,614	3.7%	-	-
<b>Equities</b>								
UK	9,908	4.5%	-	-	-	-	-	-
Overseas	117,129	53.2%	-	-	124,903	60.7%	-	-
<b>Property - All</b>	7,266	3.3%	12,329	5.6%	6,996	3.4%	12,141	5.9%
<b>Others</b>								
Private Equity	-	-	10,128	4.6%	-	-	9,465	4.6%
Infrastructure	-	-	11,008	5.0%	-	-	9,465	4.6%
Derivatives	-	-			-1,029	-0.5%	-	-
Timber	-	-	6,605	3.0%	-	-	3,498	1.7%
Private Debt	-	-	3,743	1.7%	-	-	3,292	1.6%
Other Managed Funds	-	-	11,669	5.3%	-	-	8,437	4.1%
Cash/Temporary Investments	-	-	5,724	2.6%	-	-	7,408	3.6%
<b>Net Current Assets</b>	-	-	220	0.1%	-	-	-206	-0.1%
<b>Total</b>	<b>158,742</b>	<b>72.1%</b>	<b>61,426</b>	<b>27.9%</b>	<b>152,271</b>	<b>74.0%</b>	<b>53,500</b>	<b>26.0%</b>

### 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:

Life expectancy from age 65 (years)	2018/19	2017/18
<b>Retiring today:</b>		
Men	21.3	22.2
Women	23.6	24.7
<b>Retiring in 20 years:</b>		
Men	22.9	24.4
Women	25.4	27
<b>Rates of Inflation</b>		
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 of discounting scheme liabilities	2.40%	2.55%
<b>Take-up of option to convert annual pension into retirement lump sum</b>	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.

	£'000	£'000	£'000
<b>Adjustment to discount rate</b>	+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
<b>Adjustment to long term salary increase</b>	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	298,648	298,350	298,055
Projected Service Cost	4,217	4,217	4,217
<b>Adjustment to pension increases and deferred revaluation</b>	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	302,916	298,350	293,855
Projected Service Cost	4,316	4,217	4,120
<b>Adjustment to life expectancy assumptions</b>	+ 1 year	None	-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:

<b>Short term debt - Overdue</b>	<b>31-Mar-19 £'000</b>	<b>31-Mar-18 £'000</b>
Less than three months	2,140	1,472
Three to Six months	414	720
More than six months	8,106	8,877
<b>Total</b>	<b>10,660</b>	<b>11,069</b>

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:

<b>Short term debt - Overdue</b>	<b>31-Mar-19 £'000</b>	<b>31-Mar-18 £'000</b>
Less than 1 year	-	
1 to 2 years	-	
2 to 5 years		
5 to 10 years	41,767	41,767
10 to 20 Years	125,303	125,303
20 to 30 years	44,767	44,767
<b>Total</b>	<b>211,837</b>	<b>211,837</b>

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:

<b>Impact of 1% Change in Interest Rates</b>	<b>£'000</b>
Increase in interest payable on variable rate borrowings	-
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

	<b>31-Mar-19</b>	Restated
<b>Pension Scheme Liabilities</b>	<b>£'000</b>	<b>31-Mar-18</b>
		<b>£'000</b>
<b>As at 1st April</b>	<b>(92,154)</b>	<b>(103,530)</b>
Movement in year	13,972	(11,376)
<b>Closing balance at 31 March</b>	<b>(78,182)</b>	<b>(92,154)</b>

### 36. LONG-TERM DEBTORS

Long Term Debtors	31-Mar-19 £'000	31-Mar-18 £'000
Other Long Term Loans	3,502	936
Service Charge Loans IAMAC	66	34
Service Charge Debtor	288	170
Renovation Grants	267	274
Mortgages	-	1
Soft Loans	12	2
<b>Sub Total</b>	<b>4,136</b>	<b>1,417</b>
Allowance for doubtful debt (other entities and individuals)		
<b>Total</b>	<b>4,136</b>	<b>1,417</b>



# SUPPLEMENTARY FINANCIAL STATEMENTS

## HOUSING REVENUE ACCOUNT

HRA - Income and Expenditure Statement	31-Mar-19 £'000	31-Mar-18 £'000
<b>Expenditure</b>		
Repairs & Maintenance	10,085	9,673
Supervision & Management	16,444	16,638
Rents, Rates, Taxes & Other Charges	50	110
Depreciation & Impairment of Non-Current Assets - HRA Dwellings	30,328	36,941
Amotisation of Intangible Assets	76	98
Debt Management Costs	8	17
Movement in the allowance for bad debts	205	85
Sums directed by the Secretary of Sttate that are expenditure in accordance with the CODE	5	5
<b>Total Expenditure</b>	<b>57,201</b>	<b>63,567</b>
<b>Income</b>		
Dwelling rents	(42,906)	(43,884)
Non-dwellings rents	(1,028)	(1,050)
Charges for Services & Facilities	(3,906)	(3,244)
Contributions towards expenditure	(1,560)	(822)
<b>Total Income</b>	<b>(49,399)</b>	<b>(49,001)</b>
<b>Net Cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>	<b>7,801</b>	<b>14,565</b>
HRA Services share of Corporate & Democratic Core	846	847
<b>Net income for HRA services</b>	<b>8,647</b>	<b>15,412</b>
(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)
<b>(Surplus)/Deficit for the year on HRA services</b>	<b>17,196</b>	<b>33,880</b>

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.

Movement on the HRA Statement	Note	31-Mar-19 £'000	31-Mar-18 £'000
<b>Balance on the HRA as the end of the previous year</b>		(14,101)	(12,973)
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		17,196	33,880
Adjustments between accounting basis and funding basis under statute	H1	(16,209)	(35,081)
<b>Net increase or Decrease before transfers to or from reserves</b>		<b>988</b>	<b>(1,201)</b>
Transfers (to) or from reserves	H2	(19)	73
<b>Increase or (decrease) in year on the HRA</b>		<b>969</b>	<b>(1,128)</b>
<b>Balance on the HRA as at 31st March</b>		<b>(13,132)</b>	<b>(14,101)</b>

### H1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

	31-Mar-19 £'000	31-Mar-18 £'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year:</b>		
Intangible Assets written down	(76)	(98)
Impairment of Fixed Assets	(19,353)	(25,003)
(Gain)/Loss on sale of HRA Fixed Assets	(2,153)	(12,006)
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)
<b>Items not included in the HRA Income and Expenditure Account but to be included in the Movement on the HRA Balance for the year:</b>		
Capital Expenditure Funded by the HRA	3,950	1,503
<b>Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year</b>	<b>(16,209)</b>	<b>(35,081)</b>

### H2. TRANSFERS TO / (FROM) RESERVES

## NOTES TO THE HOUSING REVENUE ACCOUNT

Transfers to / (from) Reserves	31-Mar-19 £'000	31-Mar-18 £'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year:</b>		
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	(463)	(538)
Earmarked Grants Reserve	(15)	
<b>Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year</b>	<b>(19)</b>	<b>73</b>

### H3. ANALYSIS OF THE HOUSING STOCK

Analysis by Type of Dwelling	31-Mar-19 £'000	31-Mar-18 £'000
Houses and Bungalows	5,613	5,692
Flats and Maisonettes	3,557	3,578
Other	10	9
<b>Total Dwellings</b>	<b>9,180</b>	<b>9,279</b>
<b>Percentage of ESO owned by the Council</b>	<b>4.88%</b>	<b>4.88%</b>

Analysis by Number of Bedrooms	31-Mar-19 £'000	31-Mar-18 £'000
Bedsitters	398	402
1 Bedroom	2,042	2,049
2 Bedrooms	3,550	3,570
3 Bedrooms	2,831	2,900
4 Bedrooms	323	324
5 Bedrooms	25	25
HMO 6 Bedrooms or more	11	9
<b>Total Dwellings</b>	<b>9,180</b>	<b>9,279</b>

### H4. BALANCE SHEET VALUES FOR THE HOUSING STOCK

Balance Sheet Values for the Housing Stock	31-Mar-19 £'000	01-Apr-18 £'000	31-Mar-18 £'000
Council Dwellings:			
Land	171,421	170,521	181,488
Dwellings	549,503	546,646	543,907
	<b>720,924</b>	<b>717,167</b>	<b>725,395</b>
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
<b>Total HRA Balance Sheet Values</b>	<b>741,108</b>	<b>741,624</b>	<b>748,252</b>

### H5. VACANT POSSESSION

## **NOTES TO THE HOUSING REVENUE ACCOUNT**

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.

<b>Balance Sheet Values at Vacant Possession</b>	<b>01-Apr-19 £'000</b>	<b>01-Apr-18 £'000</b>
Vacant possession Value of Dwellings	1,901,428	1,870,795
<b>Total HRA Balance Sheet Values</b>	<b>1,901,428</b>	<b>1,870,795</b>

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**

<b>Operational Assets</b>	<b>31-Mar-19 £'000</b>	<b>31-Mar-18 £'000</b>
Dwellings	(19,268)	24,688
Other Property	(161)	413
<b>Total Dwellings</b>	<b>(19,429)</b>	<b>25,101</b>

### **H8. CAPITAL EXPENDITURE AND FINANCING**

## NOTES TO THE HOUSING REVENUE ACCOUNT

Capital Expenditure and Financing	31-Mar-19 £'000	31-Mar-18 £'000
<b>HRA Capital Expenditure</b>		
Dwellings Stock	16,899	13,147
Non-Dwellings works	85	162
Assets under Construction	50	-
Investment in Information Technology	171	37
<b>Total HRA Capital Expenditure</b>	<b>17,205</b>	<b>13,346</b>
<b>Financed by:</b>		
Grants and Contributions	131	42
Capital Receipts	2,762	-
Major Repairs Reserve	3,950	1,503
Borrowing for New Builds and House Purchases	10,362	11,801
	<b>17,205</b>	<b>13,346</b>

### H9. CAPITAL RECEIPTS

Capital Receipts	31-Mar-19 £'000	31-Mar-18 £'000
Sale of Council Houses - Direct	5,439	7,424
Other (including shared ownership)	379	472
<b>Total Capital Receipts</b>	<b>5,818</b>	<b>7,896</b>

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

Charges for Depreciation	31-Mar-19 £'000	31-Mar-18 £'000
Council Dwellings	10,123	11,530
Other land and buildings	152	162
Infrastructure and community assets	9	9
Surplus assets nto held for sale	3	3
<b>Total</b>	<b>10,287</b>	<b>11,707</b>

Depreciation split - Operationa and Non-operational	31-Mar-21 £'000	31-Mar-20 £'000
Operational Assets	10,123	11,530
Non-Operational Assets	164	177
<b>Total HRA Balance Sheet Values</b>	<b>10,287</b>	<b>11,707</b>

### H11. MOVEMENT ON THE MAJOR REPAIRS RESERVE

## **NOTES TO THE HOUSING REVENUE ACCOUNT**

Movement on the Major Repairs Reserve	31-Mar-19 £'000	31-Mar-18 £'000
<b>Balance as at 1st April</b>	-	-
Transfers in - depreciation	10,362	11,801
Capital Spending on the Housing Stock met by the Reserve	(10,362)	(11,801)
<b>Balance as at 31st March</b>	<b>0</b>	<b>0</b>

### **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	31-Mar-19 £'000	31-Mar-18 £'000
Due from Current Tenants	1,366	1,331
Due From Former Tenants	1,899	1,820
<b>Arrears (gross)</b>	<b>3,265</b>	<b>3,151</b>
Prepayments	(840)	(786)
<b>Net Arrears</b>	<b>2,425</b>	<b>2,365</b>

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

	NNDR 2018/19 £'000	Council Tax 2018/19 £'000	Total 2018/19 £'000	Total 2017/18 £'000
<b>Income</b>				
Council Tax		(46,789)	(46,789)	(44,372)
Non-domestic ratepayers	(47,029)	-	(47,029)	(47,798)
Contributions to previous year's deficit			-	
- Harlow District Council			-	(339)
- Ministry for Housing, Communities and Local Government (MHCLG)			-	(1,057)
Reduction in impairment allowance			-	-
Reduction in provision for appeals	(304)	(176)	(480)	(248)
<b>Total Income</b>	<b>(47,333)</b>	<b>(46,965)</b>	<b>(94,298)</b>	<b>(93,814)</b>
<b>Expenditure</b>				
Apportionment of Previous Year Surplus (Deficit)				
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	-
	<b>254</b>	<b>4,181</b>	<b>4,435</b>	<b>2,351</b>
<b>Precepts, Demands and Shares</b>				
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
	<b>46,922</b>	<b>44,359</b>	<b>91,281</b>	<b>87,129</b>
<b>Disregarded Amounts</b>				
Enterprise Zone	875	-	875	1,675
<b>Charges to Collection Fund</b>				
Increase in impairment allowance	-	-	-	1,144
Increase in provisions for appeals	144	-	144	-
Interest on refunds	34	-	34	-
Cost of Collection	117	-	117	118
Write-offs of uncollectable amounts	(1)	-	(1)	-
Transitional protection payments	637	-	637	1,202
	<b>931</b>	<b>-</b>	<b>931</b>	<b>2,464</b>
<b>Total Expenditure</b>	<b>48,983</b>	<b>48,540</b>	<b>97,521</b>	<b>93,618</b>
<b>Deficit/(Surplus) arising during the year</b>	<b>1,650</b>	<b>1,575</b>	<b>3,223</b>	<b>(196)</b>
(Deficit)/Surplus brought forward 1st April 2018	212	(3,883)	(3,671)	(3,476)
(Deficit)/Surplus carried forward 31 March 2019	1,862	(2,308)	(449)	(3,673)

## 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	Range of values at 1 April 1991	Total Dwellings	Dwellings after Discounts & Exemptions	Ratio to Band D	Band D Equivalent
A*Disabled	*	2	.18	5/9	.10
A	Up to £40,000	2,523	1,474.16	6/9	982.77
B	£40,001-£52,000	7,830	5,060.97	7/9	3,936.31
C	£52,001-£68,000	18,637	14,750.35	8/9	13,111.42
D	£68,001-£88,000	4,252	3,645.71	9/9	3,645.71
E	£88,001-£120,000	2,345	2,079.17	11/9	2,541.21
F	£120,001-£160,000	945	859.87	13/9	1,242.03
G	£160,001-£320,000	411	378.52	15/9	630.87
H	More than £320,000	12	10.91	18/9	21.82
<b>Total</b>		<b>36,957</b>	<b>28,259.84</b>		<b>26,112</b>
<b>Tax Base at 98% Collection Rate</b>					<b>25,590</b>

### CF3. Distribution of surplus/deficit

**COLLECTION FUND**

31-Mar-18			Distribution of (Surplus) /Deficit	31-Mar-19		
NNDR £'000	Council Tax £'000	Total £'000		NNDR £'000	Council Tax £'000	Total £'000
(85)	638	553	Harlow Council	(744)	362	(382)
(19)	2,717	2,698	Essex County Council	(167)	1,626	1,459
-	366	366	Essex Police and Crime Commissioner	-	226	226
(2)	162	160	Essex Fire Authority	(19)	94	75
(106)	-	(106)	MHCLG	(931)	-	(931)
<b>(212)</b>	<b>3,883</b>	<b>3,671</b>		<b>(1,861)</b>	<b>2,308</b>	<b>447</b>

**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.

<b>HTS Profit and Loss Account</b>	<b>31-Mar-19 £'000</b>	<b>31-Mar-18 £'000</b>
Turnover	(23,329)	(23,753)
Cost of Sales	20,281	20,000
<b>Gross Profit</b>	<b>(3,048)</b>	<b>(3,753)</b>
Administrative Expenditure	2,534	3,244
<b>Operating Profit from continuing operations before Tax</b>	<b>(514)</b>	<b>(509)</b>
Tax on Profit on Ordinary Activities	101	97
<b>(Surplus)/Deficit for the year on HRA services</b>	<b>(413)</b>	<b>(412)</b>

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.

<b>HTS Balance Sheet</b>	<b>31-Mar-19 £'000</b>	<b>31-Mar-18 £'000</b>
Property, Plant & Equipment	893	1,012
Intangibles	269	359
<b>Long-Term Assets</b>	<b>1,162</b>	<b>1,371</b>
Trade and Other Receivables	1,582	1,387
Cash and Cash Equivalents	1,868	1,829
<b>Current Assets</b>	<b>3,450</b>	<b>3,216</b>
<b>Current Liabilities</b>	<b>(3,315)</b>	<b>(3,314)</b>
<b>Long-Term Liabilities</b>	<b>(472)</b>	<b>(861)</b>
<b>Net Assets attributable to members</b>	<b>825</b>	<b>412</b>
Balance brought forward	(412)	-
Profit for the period	(413)	(412)
<b>Total Reserves</b>	<b>(825)</b>	<b>(412)</b>

**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.

<b>Movements in Reserves during 2018/19</b>	<b>Harlow Council's Reserves £'000</b>	<b>HTS Reserves £'000</b>	<b>Total Group Reserves £'000</b>
<b>Balance at 1 April 2018</b>	<b>(607,728)</b>	<b>12,585</b>	<b>(595,143)</b>
Adjustments to opening Balances Restatement	1		1
<b>Adjusted Balance as at 1st April 2018 Bfwd</b>	<b>(607,727)</b>	<b>12,585</b>	<b>(595,142)</b>
<b>Adjustments to opening Balances</b>			
Group (Surplus)/Deficit	22,905	1,692	24,597
Other Comprehensive Expenditure and Income	(30,579)	(1,953)	(32,532)
<b>Total Comprehensive Expenditure and Income</b>	<b>(7,673)</b>	<b>(261)</b>	<b>(7,935)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations		10	10
<b>Increase / Decrease in Year 2018/19</b>	<b>(7,673)</b>	<b>(251)</b>	<b>(7,925)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>(615,400)</b>	<b>12,334</b>	<b>(603,067)</b>

**Comparator 2017/18**

## GROUP ACCOUNTS

Restated Movements in Reserves during 2017/18	Restated Harlow Council's Reserves £'000	HTS Reserves £'000	Restated Total Group Reserves £'000
<b>Balance at 1 April 2017</b>	<b>(550,583)</b>	<b>13,877</b>	<b>(536,706)</b>
Adjustments to opening Balances	(2)		(2)
Restatement	(6,497)		(6,497)
<b>Adjusted Balance as at 1st April 2017 Bfwd</b>	<b>(557,082)</b>	<b>13,877</b>	<b>(543,205)</b>
<b>Adjustments to opening Balances</b>			
Group (Surplus)/Deficit	36,388	1,392	37,780
Other Comprehensive Expenditure and Income	(87,034)	(2,671)	(89,705)
<b>Total Comprehensive Expenditure and Income</b>	<b>(50,646)</b>	<b>(1,279)</b>	<b>(51,925)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations		(13)	(13)
<b>Increase / Decrease in Year 2017/18</b>	<b>(50,646)</b>	<b>(1,292)</b>	<b>(51,938)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>(607,728)</b>	<b>12,585</b>	<b>(595,143)</b>

### 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 ACCOUNTS

Group CIES	2018/19		2018/19	2018/19	2018/19	2017/18
	Gross Expenditure £'000	Gross Income £'000	Harlow Council £'000	HTS £'000	Group CIES £'000	Restated
						Group CIES £'000
Managing Director and Services	185	-	185	-	185	240
Corporate Services	1,052	-	1,052	545	1,597	-
Community Wellbeing	7,673	(2,277)	5,396	57	5,453	4,498
Finance	33,219	(29,577)	3,642	78	3,720	4,200
Place	15,665	(11,760)	3,905	(893)	3,012	2,905
Housing GF	2,360	(937)	1,423	20	1,443	621
Governance	2,173	(337)	1,836	24	1,860	1,650
Housing HRA	54,046	(49,023)	5,023	838	5,861	11,007
Third Party Sales			-	(120)	(120)	(66)
<b>Cost of Services</b>	<b>116,375</b>	<b>(93,911)</b>	<b>22,464</b>	<b>549</b>	<b>23,013</b>	<b>25,055</b>
Other Operating Expenditure			6,356	-	6,356	15,626
Financing and Investment Income and Expenditure			8,712	1,041	9,753	11,702
Taxation and Non-specific Grant Income			(13,415)		(13,415)	(14,394)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>24,117</b>	<b>1,590</b>	<b>25,707</b>	<b>37,989</b>
<b>Tax expenses on subsidiaries</b>				101	101	71
			<b>24,117</b>	<b>1,691</b>	<b>25,808</b>	<b>38,060</b>
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets			(15,703)		(15,703)	(73,163)
(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)	(16,475)
<b>Other Comprehensive Income and Expenditure</b>			<b>(31,792)</b>	<b>(1,953)</b>	<b>(33,745)</b>	<b>(89,644)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(7,675)</b>	<b>(262)</b>	<b>(7,937)</b>	<b>(51,655)</b>

### 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

## GROUP ACCOUNTS

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	2018/19	2018/19	2018/19	2017/18	1st April 2017
	Harlow Council £000s	HTS £000s	Group £000s	Restated Group £000s	Restated Group £000s
Property, Plant and Equipment	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
<b>Long-Term Assets</b>	<b>883,595</b>	<b>483</b>	<b>884,078</b>	<b>878,568</b>	<b>843,609</b>
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	10,315	874	11,189	11,748	11,244
Cash and Cash Equivalents	21,501	1,868	23,369	27,432	21,452
Current Tax Asset GROUP ONLY			-		-
<b>Current Assets</b>	<b>40,934</b>	<b>2,784</b>	<b>43,718</b>	<b>52,095</b>	<b>49,302</b>
Short-term Borrowing	(81)		(81)	(81)	(80)
Short-term Creditors	(16,522)	(2,419)	(18,941)	(15,723)	(18,064)
Short-term Provisions	(1,133)		(1,133)	(1,117)	(1,110)
Grants Receipts in Advance - Revenue	(3)		(3)	(151)	-
<b>Current Liabilities</b>	<b>(17,739)</b>	<b>(2,419)</b>	<b>(20,158)</b>	<b>(17,072)</b>	<b>(19,254)</b>
Long-term Creditors	(224)		(224)	(809)	(867)
Long-term Borrowing	(211,837)		(211,837)	(211,837)	(211,837)
Other Long-term Liabilities	(78,182)	(13,174)	(91,356)	(105,154)	(117,502)
Grants Receipts in Advance - Capital	(999)		(999)	(539)	(244)
Grants Receipts in Advance - Revenue	(148)		(148)	(108)	-
Deferred Tax Liability GROUP ONLY			-		-
<b>Long-Term Liabilities</b>	<b>(291,390)</b>	<b>(13,174)</b>	<b>(304,564)</b>	<b>(318,447)</b>	<b>(330,450)</b>
<b>Net Assets</b>	<b>615,400</b>	<b>(12,326)</b>	<b>603,074</b>	<b>595,144</b>	<b>543,207</b>
Usable Reserves	(53,890)	12,326	(41,564)	(38,998)	(30,941)
Unusable Reserves	(561,510)		(561,510)	(556,146)	(512,266)
<b>Total Reserves</b>	<b>(615,400)</b>	<b>12,326</b>	<b>(603,074)</b>	<b>(595,144)</b>	<b>(543,207)</b>

### 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

## **GROUP ACCOUNTS**

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.

	2018/19	2018/19	2018/19	2017/18
	Harlow Council £000s	HTS £000s	Group £000s	Restated Group £000s
Net (Surplus) or Deficit on the Provision of Services	(24,117)	(1,692)	(25,809)	(37,989)
Adjust to Surplus or Deficit on the Provision of Services for Non Cash Movements	47,374	2,423	49,797	60,723
Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	(7,820)		(7,820)	(5,836)
<b>Net Cash flows from Operating Activities</b>	<b>15,437</b>	<b>731</b>	<b>16,168</b>	<b>16,898</b>
Investing Activities	(17,988)	(692)	(18,680)	(9,925)
Financing Activities	(1,551)		(1,551)	(1,272)
<b>Net Increase or Decrease in Cash and Cash Equivalents</b>	<b>(4,102)</b>	<b>39</b>	<b>(4,063)</b>	<b>5,701</b>
Cash and Cash Equivalents at the beginning of the Reporting Period	25,603	1,829	27,432	21,452
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>21,501</b>	<b>1,868</b>	<b>23,369</b>	<b>27,153</b>

### Notes to the Group Accounts

#### G1 Property, Plant and Equipment

## GROUP ACCOUNTS

Movements in 2018/19	Harlow Council PPE £'000	HTS Land and Buildings £'000	HTS Vehicles Plans and Equipment £'000	Total £'000	Total Group PPE £'000
<b>Cost Valuation:</b>					
<b>At 1 April 2018</b>	<b>882,534</b>	<b>16</b>	<b>1,220</b>	<b>1,236</b>	<b>883,770</b>
Adjustments to opening balance	-			-	-
Additions	26,765	25	128	153	26,918
Donations	-			-	-
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)
Derecognition - Other	-			-	-
Assets reclassified (to)/from Held for Sale	-			-	-
Other movements in cost or valuation	(1,539)			-	(1,539)
<b>Balance as at 31 March 2019</b>	<b>883,583</b>	<b>41</b>	<b>1,342</b>	<b>1,383</b>	<b>884,966</b>
<b>Accumulated Depreciation and Impairment:</b>					
<b>At 1 April 2018</b>	<b>(11,502)</b>	<b>(3)</b>	<b>(218)</b>	<b>(221)</b>	<b>(11,723)</b>
Adjustment to opening balance	-			-	-
Depreciation Charge	(12,015)	(6)	(241)	(247)	(12,262)
Depreciation written out to the Revaluation Reserve	6,875			-	6,875
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	4,849			-	4,849
Impairments Recognised in S/D	-			-	-
Impairments recognised in RR	-			-	-
<b>At 31 March 2019</b>	<b>(11,793)</b>	<b>(9)</b>	<b>(459)</b>	<b>(468)</b>	<b>(12,261)</b>
<b>Net Book Value at 31 March 2021:</b>	<b>871,790</b>	<b>32</b>	<b>883</b>	<b>915</b>	<b>872,705</b>
Net Book Value at 31 March 2020:	871,032	13	1,002	1,015	872,047

\*See Note 10, Page 47

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## GROUP ACCOUNTS

Movements in 2017/18	Total Property Plant and Equipment £'000	HTS Land and Buildings	HTS Vehicles Plans and Equipment	Total	Total Group PPE
<b>Cost Valuation:</b>					
<b>At 1 April 2017</b>	<b>846,310</b>	-	<b>865</b>	<b>865</b>	<b>847,175</b>
Adjustments to opening balance	-			-	-
Additions	20,711	16	355	371	21,082
Revaluation Increases/Decreases to Revaluation Reserve	58,533			-	58,533
Revaluation Decreases to Surplus/Deficit	(22,859)			-	(22,859)
Revalued Assets- no net increase (impairment reversals)	-			-	-
Revalued Assets- depreciation reversals	-		-	-	-
Revalued Assets - Reversal of Loss	-			-	-
Derecognition - Disposals	(3,679)			-	(3,679)
Derecognition - Other	(15,040)			-	(15,040)
Derecognition - Other-Revaluation Reserve	-			-	-
Reclassification and Transfers	(1,442)			-	(1,442)
<b>Balance as at 31 March 2018</b>	<b>882,534</b>	<b>16</b>	<b>1,220</b>	<b>1,236</b>	<b>883,770</b>
<b>Accumulated Depreciation and Impairment:</b>					
<b>At 1 April 2017</b>	<b>(11,033)</b>	-	-	-	<b>(11,033)</b>
Adjustment to opening balance	-			-	-
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 CIES	2			-	2
Derecognition - disposals	-			-	-
Other movements in depreciation and impairment	57			-	57
Reclassification and Transfers	-			-	-
<b>At 31 March 2018</b>	<b>(11,502)</b>	<b>(3)</b>	<b>(218)</b>	<b>(221)</b>	<b>(11,723)</b>
<b>Net Book Value at 31 March 2018:</b>	<b>871,032</b>	<b>13</b>	<b>1,002</b>	<b>1,015</b>	<b>872,047</b>
Net Book Value at 31 March 2017:	835,277		865	865	836,142

\*See Note 10, Page 48

G2 Short-Term Debtors

## GROUP ACCOUNTS

Debtors	Balances as at 31 March 2019			Balances as at 31 March 2018		
	Harlow Council £'000	HTS £'000	Group £'000	Harlow Council £'000	HTS £'000	Group £'000
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
<b>Sub Total</b>	<b>10,315</b>	<b>874</b>	<b>11,189</b>	<b>11,048</b>	<b>700</b>	<b>11,748</b>
Allowance for doubtful debt (other entities and individuals)	-	-	-	-	-	-
<b>Total</b>	<b>10,315</b>	<b>874</b>	<b>11,189</b>	<b>11,048</b>	<b>700</b>	<b>11,748</b>

### G3 Cash and Cash Equivalents

Cash and Cash Equivalents	Balances as at 31 March 2019			Balances as at 31 March 2018		
	Harlow Council £'000	HTS £'000	Group £'000	Harlow Council £'000	HTS £'000	Group £'000
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 and financial institutions	20,214	506	20,720	24,204	501	24,705
<b>Sub Total</b>	<b>21,501</b>	<b>1,868</b>	<b>23,369</b>	<b>25,603</b>	<b>1,829</b>	<b>27,432</b>

### G4 Short-Term Creditors

Creditors	Balances as at 31 March 2019			Balances as at 31 March 2018		
	Harlow Council £'000	HTS £'000	Group £'000	Harlow Council £'000	HTS £'000	Group £'000
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
<b>Sub Total</b>	<b>16,522</b>	<b>2,419</b>	<b>18,941</b>	<b>13,564</b>	<b>2,159</b>	<b>15,723</b>

## GROUP ACCOUNTS

### G5 Other Long-Term Liabilities

Other Long-Term Liabilities	Balances as at 31 March 2019			Balances as at 31 March 2018		
	Harlow Council	HTS	Group	Harlow Council	HTS	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Pension Scheme Liabilities	78,182		78,182	92,154		92,154
<b>Sub Total</b>	<b>78,182</b>	<b>-</b>	<b>78,182</b>	<b>92,154</b>	<b>-</b>	<b>92,154</b>

### G6 Unusable Reserves

Unusable Reserves	Balances as at 31 March 2019			Balances as at 31 March 2018		
	Harlow Council	HTS	Group	Harlow Council	HTS	Group
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revaluation Balances</b>						
Revaluation Reserve	(439,322)		(439,322)	(432,662)		(432,662)
Financial Instruments Revaluation Reserve	39		39	47		47
<b>Adjustment Accounts</b>						
Available for Sale Financial Instruments Reserve	-		-	-		-
Capital Adjustment Account	(199,795)	-	(199,795)	(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 Absence Account	55		55	61		61
<b>Sub Total</b>	<b>(561,226)</b>	<b>-</b>	<b>(561,226)</b>	<b>(556,146)</b>	<b>-</b>	<b>(556,146)</b>

## ***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**

## ***GLOSSARY OF TERMS AND ABBREVIATIONS***

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.

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)**

## ***GLOSSARY OF TERMS AND ABBREVIATIONS***

The accounting standards setting body.

International Financial Reporting Standard (IFRS)

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)

## ***GLOSSARY OF TERMS AND ABBREVIATIONS***

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

### **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.

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## ***GLOSSARY OF TERMS AND ABBREVIATIONS***

### **Reserves**

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).

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***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><b>1. General Data Protection Regulations (GDPR):</b> 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>
Common theme from the Service Assurance Statements was:	
<p><b>2. Business Continuity Plan (BCP) testing:</b> 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
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.	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.
2. Brexit: If there is a 'no deal' Brexit then this may impair the Council's strategic aims and objectives.	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 impact. In turn both these organisations liaise with MHCLG.
Common theme from the Service Assurance Statements were:	
3. Operational risk management: Recording	This will be addressed through the roll out

Key improvement/review area	Action to be taken in 2019/20
of key operational risks could be improved to ensure they feed into the corporate risk management process and for better identification of interrelated risks.	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.

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.

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.
<b>Annual Governance Statement 2018/19</b>						
<ul style="list-style-type: none"> <li>• A robust whistleblowing policy and zero tolerance approach to fraud and corruption.</li> <li>• The Constitution sets out codes of conduct for Councillors and Officers.</li> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership encourages open and supportive culture.</li> <li>• Standard committee report format and publicly available modern.gov system for reporting.</li> <li>• Strategy for encouraging stakeholder involvement.</li> <li>• Overview and Scrutiny Committee</li> </ul>	<ul style="list-style-type: none"> <li>• A new corporate plan 2019 to 2022 has been approved</li> <li>• Draft Local Plan that supports the Council's vision</li> <li>• Defined standards of customer service backed by a complaints procedure</li> </ul>	<ul style="list-style-type: none"> <li>• Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance</li> <li>• Decision making processes that receive objective and rigorous analysis including involvement of the Monitoring and Section 151 Officers</li> <li>• Anti-Fraud and Corruption Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• A corporate Risk Strategy and toolkit.</li> <li>• A performance management framework which includes integrated performance and financial management report.</li> <li>• Medium Term Financial Strategy and integrated service planning approach</li> <li>• Internal Audit function to provide assurance on governance, risk management and control.</li> <li>• Audit and Standards Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Accountability for decision making detailed within the Constitution</li> <li>• Reporting regularly on performance and use of resources.</li> <li>• Requirement for managers to produce annual assurance statements which feeds into the Annual Governance Statement</li> <li>• Processes to ensure internal and external audit recommendations are acted upon</li> </ul>
<ul style="list-style-type: none"> <li>• An active Corporate Governance Group which takes charge of the Annual Governance Statement.</li> </ul>						