



Harlow District Council

Statement of Accounts


2018/19

Including Narrative Report and Annual Governance Statement

Page left intentionally blank

Contents

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



Page left intentionally blank



NARRATIVE REPORT

Introduction

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

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

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

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

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

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

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

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

Financial Context

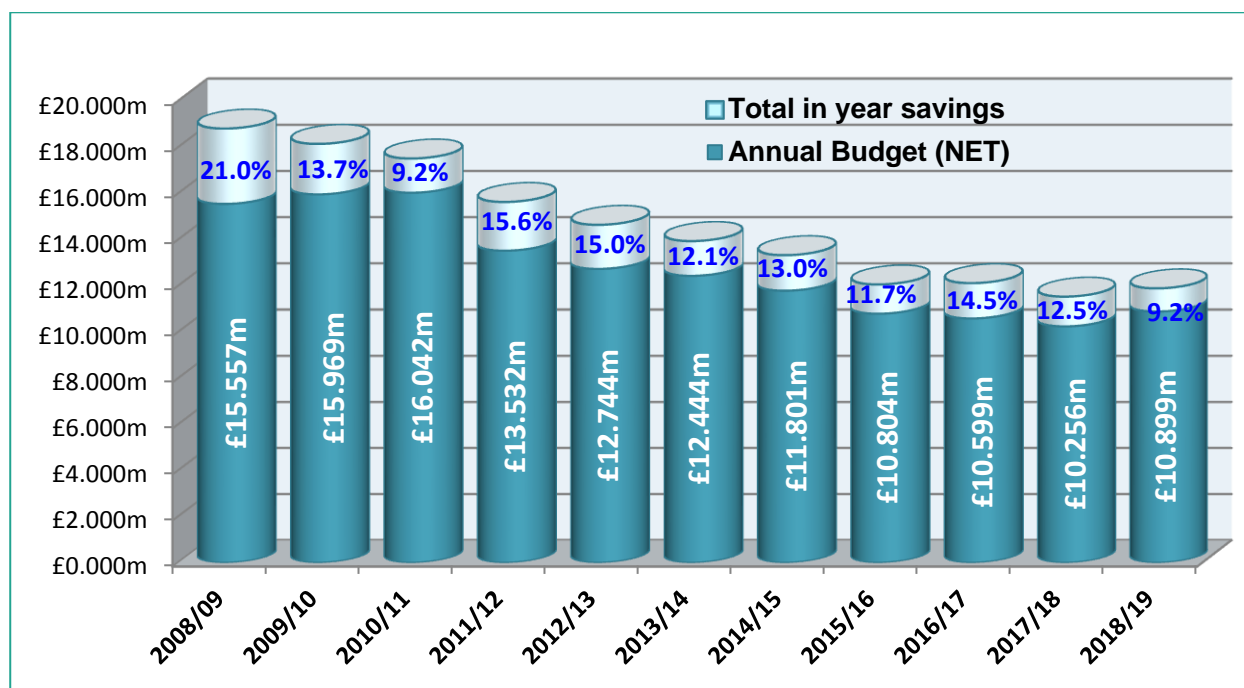
The Council has an annual net General Fund expenditure of £12.4 million and over 2,500 leasehold properties at a gross cost of over £50 million. The Council currently delivers an annual capital investment programme of £27.6 million.

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

NARRATIVE REPORT

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

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



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

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

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

NARRATIVE REPORT

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

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

Results for 2018/19

Revenue spending - General Fund

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

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

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

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

NARRATIVE REPORT

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

General Fund Budget Variations (Actual Against Original Estimate)

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

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

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

NARRATIVE REPORT

Revenue spending - Housing Revenue Account

The following table summarises the outturn position:

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

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

Housing Revenue Account Budget Variations (Actual Against Original Estimate)

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

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

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

NARRATIVE REPORT

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

Capital spending

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

Major housing schemes included

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

Other schemes included

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

NARRATIVE REPORT

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

Programme of Development

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

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

Internal Capital Financing

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

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

Revaluation of Land and Property Assets

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

Funding the Capital Programme

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

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

Borrowing Facilities

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

NARRATIVE REPORT

Current Assets and Current Liabilities

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

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

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

Other Long Term Liabilities - Pension Fund

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

Financial Prospects Looking Forward

General Fund

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

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

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

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

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

NARRATIVE REPORT

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

Housing Revenue Account

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

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

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

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

NARRATIVE REPORT

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

Performance Management

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

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

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

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

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

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

Explanation of the contents of the Statement of Accounts

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

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

Statement of Accounts 2018/19

NARRATIVE REPORT

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

Statement of Responsibilities (page 20)

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

Movement in Reserves Statement (page 22)

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

Comprehensive Income and Expenditure Statement (page 23)

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

Balance Sheet (page 24)

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

Cash Flow Statement (page 25)

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

NARRATIVE REPORT

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

Expenditure and Funding Analysis (page 37)

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

Housing Revenue Account (HRA) (page 91)

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

Collection Fund Accounts (page 99)

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

Group Accounts (page 102)

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

In Conclusion

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

NARRATIVE REPORT

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

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

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



STATEMENT OF ACCOUNTS 2018/19

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs - in this Council, that officer is the Head of Finance and Deputy to the Chief Executive;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

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

The Head of Finance and Deputy to the Chief Executive is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the CODE).

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

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

The Head of Finance and Deputy to the Chief Executive has also

- kept proper accounting records which were up to date, and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Signed Date

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

Signed Date

Councillor Stefan Mullard
Chair of Audit and Standards Committee



CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

BALANCE SHEET

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

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

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

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

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


Statement of Accounts 2018/19

CASH FLOW STATEMENT

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



Page left intentionally blank



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.

Page left intentionally blank

NOTES TO THE ACCOUNTS

Contents

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

1. EXPENDITURE AND FUNDING ANALYSIS

	Notes	2018/19			2017/18 Restated		
		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
		£000s	£000s	£000s	£000s	£000s	£000s
Managing Director		184	1	185	234	6	240
Corporate Services		-	1,052	1,052	-	877	877
Community Wellbeing		4,601	729	5,332	3,284	1,140	4,426
Finance		3,549	(356)	3,193	5,694	(12,625)	(6,931)
Place		2,252	1,814	4,066	1,136	6,026	7,162
Housing General Fund		1,382	(27)	1,355	828	148	976
Governance		1,804	(36)	1,768	1,167	445	1,612
Housing HRA		(10,718)	15,022	4,304	(11,530)	23,040	11,510
Net Cost of Services		3,054	18,199	21,255	813	19,057	19,872
Other Income and Expenditure	7,8,9	(8,879)	10,532	1,653	(4,063)	15,069	11,006
(Surplus)/ Deficit		(5,825)	28,731	22,906	(3,250)	34,126	30,878
Opening General Fund and HRA Balance		42,577			39,327		
Plus Surplus / Less (Deficit) on General Fund and HRA Balance in Year		5,825			3,250		
Closing General Fund and HRA Balance at 31 March		48,402			42,577		

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

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

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

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

Amounts of the adjustments are in the following tables.

Adjustment between Funding and Accounting Basis

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

Adjustment between Funding and Accounting Basis

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

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

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

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>on pension fund assets. Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>Harlow Council Accounts include the agreed additional pension contributions but exclude the attributable liabilities of its wholly owned subsidiary Harlow Trading Services (Property and Environment) Limited.</p>	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

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

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

2017/18 Restated

Adjustments primarily involving the Capital Adjustment Account

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

Charges for depreciation and impairment of non-current assets

(717) (15,155)

15,872

Revaluation losses on Property Plant and Equipment

(75) (9,848)

9,923

Movements in the fair value of Investment Properties

117

(117)

Amortisation of intangible assets

(234) (98)

332

Capital grants and contributions applied

662

(662)

Income in relation to donated assets

Revenue expenditure funded from capital under statute

(557)

557

Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

(2,149) (19,851)

22,000

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:

Statutory provision for the financing of capital investment

218

(218)

Capital expenditure charged against the General Fund and HRA balances

616 1,503

(2,119)

Adjustments primarily involving the Capital Grants Unapplied Account:

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement

54 42

(96)

Application of grants to capital financing transferred to the Capital Adjustment Account

1,733

(1,733)

Adjustments primarily involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

759 7,845

(8,655)

51

Use of the Capital Receipts Reserve to finance new capital expenditure

1,260

(1,260)

Usable Reserves

General
Fund
Balance

Housing
Revenue
Account

Capital
Receipts
Reserve

Major
Repairs
Reserve

Capital
Grants
Unapplied

Movement
in
Unusable
Reserves

£000s

£000s

£000s

£000s

£000s

£000s

2017/18 Restated continued

Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.
Transfer from Deferred Capital Receipts Reserve upon receipt of cash

Adjustment primarily involving the Major Repairs Reserve:

Reversal of Major Repairs Allowance credited to the HRA

Use of the Major Repairs Reserve to finance new capital expenditure

Adjustment primarily involving the Financial Instruments Adjustment Account:

Amount by which finance costs charged to the Comprehensive Income and expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements

Adjustments primarily involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement

Employer's pensions contributions and direct payments to pensioners payable in the year

Adjustments primarily involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

Adjustment primarily involving the Accumulated Absences Account:

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

Total Adjustments

	Usable Reserves					Movement in Unusable Reserves £000s
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
	(2,230)		2,230			
				(11,801)		11,801
				11,801		(11,801)
		10				(10)
	550	(2,733)				9,519
	2,057	3,208				(5,265)
	1,893					(1,893)
	(9)	(4)				13
Total Adjustments	955	(35,081)	(5,165)	-	1,637	(37,654)

7. OTHER OPERATING EXPENDITURE

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

8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

9. TAXATION AND NON-SPECIFIC GRANT INCOME

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

10. PROPERTY, PLANT AND EQUIPMENT

Movements in 2018/19

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

Comparative Movements 2017/18

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

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

10.1 Depreciation

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

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

10.2 Capital Commitments

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

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

10.3 Revaluations

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

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

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

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

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

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

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

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

11. HERITAGE ASSETS

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

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

Artefacts held at the Museum of Harlow

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

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

Fine arts including sculpture, civic gifts and regalia

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

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

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

Community heritage assets

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

Listed Properties

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

Archaeological Sites

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

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

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

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

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

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

12. FINANCIAL INSTRUMENTS

Categories of Financial Instruments carried in the Balance Sheet

Financial Assets

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

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

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

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

Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

Income, Expense, Gains and Losses

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

Fair Values of Financial Instruments

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

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

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

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

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

Fair values are as follows:

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

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

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

There were no transfers or changes during the year.

13. DEBTORS

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

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

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

14. CASH AND CASH EQUIVALENTS

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

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

15. CREDITORS

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

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

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

16. USABLE RESERVES AND MOVEMENTS IN EARMARKED RESERVES

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

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

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

General Fund Reserves

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

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

Housing Revenue Account Reserves:

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

17. UNUSABLE RESERVES

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

Revaluation Reserve

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

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

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

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

Capital Adjustment Account

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

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

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

Financial Instruments Adjustment Account

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

Pensions Reserve

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

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

Collection Fund Adjustment Account

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

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

18. OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

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

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

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

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

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

19. INVESTING ACTIVITIES

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

20. FINANCING ACTIVITIES

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

21. ACQUIRED AND DISCONTINUED OPERATIONS

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

22. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

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

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

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

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

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

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

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

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

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

23. MEMBERS' ALLOWANCES

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

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

24. OFFICERS' REMUNERATION

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

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

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

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

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

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

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

25. EXTERNAL AUDIT COSTS

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

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

26. GRANT INCOME

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

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

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

Long-term Liabilities

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

27. RELATED PARTIES

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

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

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

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

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

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

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

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

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

28. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

29. LEASES

Council as Lessor

FINANCE LEASES

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

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

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

OPERATING LEASES

The Council leases out property and equipment under operational leases.

The future minimum lease payments receivable are:

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

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

30. IMPAIRMENT LOSSES

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

31. DEFINED BENEFIT PENSION SCHEME

Prior Year Amendment

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

Participation in the Pension Scheme

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

The Council participates in the Local Government Pension Scheme:

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

Transactions Relating to Post-Employment Benefits

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

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

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

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

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

Local Government Pension Scheme Assets Comprised

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

Basis for Estimating Assets and Liabilities

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

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

The principal assumptions used by the actuary have been:

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

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

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

Impact on the Council's Cash Flows

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

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

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

32. CONTINGENT LIABILITIES

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

Insured Liabilities

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

Guarantees

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

33. CONTINGENT ASSETS

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

34. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Overall procedures for managing risk

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

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

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

The risks covered are:

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

Credit Risk

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

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

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

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

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

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

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

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

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

Liquidity Risk

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

Refinancing and Maturity Risk

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

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

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

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

Market Risk

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

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

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

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

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

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

* No impact on Comprehensive Income and Expenditure.

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

35. OTHER LONG-TERM LIABILITIES

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

36. LONG-TERM DEBTORS

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



SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

Housing Revenue Account (HRA) Income and Expenditure Statement

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

NOTES TO THE HOUSING REVENUE ACCOUNT

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

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

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

NOTES TO THE HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

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

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

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

NOTES TO THE HOUSING REVENUE ACCOUNT

H1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

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

H2. TRANSFERS TO / (FROM) RESERVES

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

NOTES TO THE HOUSING REVENUE ACCOUNT

H3. ANALYSIS OF THE HOUSING STOCK

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

H4. BALANCE SHEET VALUES FOR THE HOUSING STOCK

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

NOTES TO THE HOUSING REVENUE ACCOUNT

H5. VACANT POSSESSION

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

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

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

H6. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

H7. IMPAIRMENT CHARGES

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

NOTES TO THE HOUSING REVENUE ACCOUNT

H8. CAPITAL EXPENDITURE AND FINANCING

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

H9. CAPITAL RECEIPTS

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

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

H10. CHARGES FOR DEPRECIATION

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

NOTES TO THE HOUSING REVENUE ACCOUNT

H11. MOVEMENT ON THE MAJOR REPAIRS RESERVE

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

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

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

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

H13. RENT ARREARS

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

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

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

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

COLLECTION FUND

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

CF1. Business Rates

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

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

CF2. Council Tax

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

The Council Tax base was calculated as follows:

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

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

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

Group Accounts for the year ended 31 March 2019

Introduction

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

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

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

Accounting Policies

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

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

HTS Summary Single Entity Accounts

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

GROUP ACCOUNTS

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

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

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

GROUP ACCOUNTS

Group Movement in Reserves Statement

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

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

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

GROUP ACCOUNTS

Group Comprehensive Income and Expenditure Statement

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

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

GROUP ACCOUNTS

Group Balance Sheet

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

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

GROUP ACCOUNTS

Group Cash Flow Statement

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

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

GROUP ACCOUNTS

Notes to the Group Accounts

G1 Property, Plant and Equipment

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

* See note 10, page 49

GROUP ACCOUNTS

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

* See note 10, page 50

GROUP ACCOUNTS

G2 Short-Term Debtors

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

G3 Cash and Cash Equivalents

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

G4 Short-Term Creditors

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

GROUP ACCOUNTS

G5 Other Long-Term Liabilities

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

G6 Unusable Reserves

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

GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS AND ABBREVIATIONS

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

Accounting Period

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

Accruals

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

Amortisation

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

Annual Governance Statement

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

Assets Held for Sale

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

Balances (or Reserves)

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

Billing Authority

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

Business Rates

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

Capital Expenditure

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

GLOSSARY OF TERMS AND ABBREVIATIONS

Capital Adjustment Account

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

Capital Receipts

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

Carrying Amount

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Code of Practice (The Code)

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

Collection Fund

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

Collection Fund Adjustment Account

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

Community Assets

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

Componentisation

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

Consumer Price Index (CPI)

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

Contingent Assets/Liabilities

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

GLOSSARY OF TERMS AND ABBREVIATIONS

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

Depreciation

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

DWP

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

Earmarked Reserves

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

Finance Lease

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

Financial Instruments

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

Fixed Assets - Tangible

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

Fixed Assets – Intangible

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

General Fund

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

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

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

Infrastructure Assets

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

International Accounting Standard Board (IASB)

The accounting standards setting body.

International Financial Reporting Standard (IFRS)

GLOSSARY OF TERMS AND ABBREVIATIONS

Accounting standards which are recognised globally.

Impairment

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

Intangible Assets

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

International Public Sector Accounting Standards (IPSAS)

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

Investment Property

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

Investments – Short-Term

Cash deposits for less than one year with approved institutions.

Loans and Receivables

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

Long-Term Debtors

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

Medium Term Financial Strategy (MTFS)

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

Minimum Revenue Provision (MRP)

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

MHCLG

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

Movement in Reserves Statement (MIRS)

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

GLOSSARY OF TERMS AND ABBREVIATIONS

Net Realisable Value

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

Non-Current Assets

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

Non-operational Assets

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

Operational Asset

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

Operating Lease

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

Pension Fund

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

Perpetuity Reserves

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

Pooling of Housing Capital Receipts

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

Precept

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

Profit on the sale of Non-Current Assets

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

Provisions

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

Receivables

See "Loans and Receivables" above.

Reserves

GLOSSARY OF TERMS AND ABBREVIATIONS

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

Retail Price Index (RPI)

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

Revenue

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

Revenue Expenditure Funded from Capital under Statute

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

Revenue Support Grant

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

Surplus Asset

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

Tangible Assets

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

UK Generally Accepted Accounting Practice (GAAP) Accounting Standards

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



INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

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

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

ANNUAL GOVERNANCE STATEMENT

Harlow Council - Annual Governance Statement 2018/19

Scope of responsibility

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

The purpose of the Governance Framework

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

The Governance Framework

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

Statement of Accounts 2018/19

- 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
1. General Data Protection Regulations (GDPR): On 25 May 2018, the EU General Data Protection Regulation came into force. It is important the Council not only maintains compliance but ensures there is a continuous process for improvement too.	<p>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:	
2. Business Continuity Plan (BCP) testing: Testing regimes to be introduced to verify the effectiveness of business continuity plans, provide training to participants on what to do in a real scenario and identify areas where the plan needs to be strengthened.	<p>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

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

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

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

Appendix 1

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