

DRAFT SUBJECT TO AUDIT

HARLOW COUNCIL
Statement of Accounts
2010/11

HARLOW DISTRICT COUNCIL STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

CONTENTS

	Page No.
Summary of Financial Statements	ii
Foreword	1
Statement of Responsibilities for the Statement of Accounts	8
Accounting Policies	9
Core Financial Statements	
Movement In Reserves Statement	25
Comprehensive Income And Expenditure Statement	26
Balance Sheet	27
Cash Flow Statement	28
Statements of Adjustments Between Accounting Basis And Funding Basis Under Regulations	29
Notes to the Core Financial Statements	31
Supplementary Statements	
Housing Revenue Account	
Comprehensive Income and Expenditure Account (HRA)	67
Movement In Reserves Statement on the Housing Revenue Account Balance	68
Balance Sheet (HRA) and associated Notes	70
Notes to the Housing Revenue Account	73
Collection Fund and associated Notes	77
Collection Fund and associated Notes	78
Report of Auditors	81
Annual Governance Statement	82

SUMMARY OF FINANCIAL STATEMENTS

Statement of Accounting Policies

This explains how the figures are calculated.

Comprehensive Income And Expenditure Statement and Movement in Reserves Statement

This replaces the Statement of Movement on the General Fund Balance and the note on the movement in reserves and shows the cost of the major functions for which we are responsible. It compares this with the money raised from charges, from the Collection Fund and from Central Government. It also brings together all recognised gains and losses for the year and shows the total increase/decrease in net worth.

Balance Sheet

This shows the balances and reserves available to the Council and its long-term debts, net current assets and a summary of fixed assets. It does not cover trust funds. This information is essential for understanding our year-end financial position.

Cash Flow Statement

This summarises the cashflows for capital and revenue spending, and the cashflows used to pay for these.

Capital Expenditure and Financing

This shows the main items of capital spending and how they are paid for.

Housing Revenue Account

By law, we must account separately for our housing provision. This account shows the main areas of housing revenue spending – maintenance, management and capital charges – and how this is paid for from rents, subsidies and other income.

Collection Fund Accounts

These are transactions covering Council Tax and National Non-domestic Rates, showing how these have been distributed to precepting authorities, including Harlow District Council.

Trust Fund Accounts

These are required in the event that an authority is trustee of external funds. However, Harlow Council is not a trustee.

FOREWORD

Changes for the 2010/11 Accounts

A number of significant technical and presentational changes were required for the 2010/11 Statement of Accounts, primarily to incorporate the requirement to comply with International Financial Reporting Standards (IFRS) – referred to as “The Code”. Previously the requirement was to present the Statement of Accounts in accordance with the Statement of Recommended Practise (SORP 2009)

These changes are set out in more detail in the accounting policies and in the individual statements and supporting notes.

The main revisions brought about by IFRS requirements affect the following areas of the Council’s Statement of Accounts:-

Treatment of Government & Other Grants

Dependant on whether Governmental Grants have conditions that exist and whether these conditions remain met or unmet determines whether Grants deferred balances are re-allocated to Capital Grants Receipts in Advance, Capital Grants Unapplied or Capital Adjustment Account.

Capital grants are to be credited to the Comprehensive Income & Expenditure Statement where “conditions” have been met. Where conditions remain unmet, the grant is credited to Capital Grants Receipts in Advance.

Where capital grant is credited to the Comprehensive Income & Expenditure Statement and related capital expenditure has been incurred, a debit is put through the comprehensive income & expenditure statement and credited to the Capital Adjustment Account. Where capital expenditure has not been incurred at the year end, the debit on the Comprehensive Income & Expenditure Statement is credited to the Capital Grants Unapplied Account. When the capital expenditure is subsequently incurred, the Capital Grants Unapplied Account is debited, with a credit to the Capital Adjustment Account.

Accounting Policies, Changes in Accounting Estimates & Errors

The Code requires restatement for material errors. Previously the requirement was to restate only for “fundamental” errors (which had to be of such significance as to destroy the validity of the financial statements).

Financial Statements

The Code necessitates the following changes to the financial statements:

- a) Movement in Reserves Statement (replaces the Statement of Movement on the General Fund Balance and the note on the movement in reserves).
- b) Comprehensive Income & Expenditure Statement (replaces the Income & Expenditure Account and the Statement of Total Recognised Gains & Losses).
- c) Balance Sheet at the end of the period (change in format)
- d) Cash Flow Statement (change in format)
- e) Notes, comprising a summary of significant accounting policies and other explanatory information
- f) Balance Sheet as at the beginning of the earliest comparative period (i.e. a third Balance Sheet) when an authority applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Segment Reporting

Disclosure is made of internal management financial reporting, with reconciliation to the Comprehensive Income & Expenditure Statement.

Segments reported in total have to represent a minimum of 75% of the expenditure within Net Cost of Services. A segment will be reported where expenditure/income is 10% or more of gross expenditure/income within Net Cost of Services.

There is a requirement for reconciliation between the segmental reporting analysis and the Net Cost of Services within the Comprehensive Income & Expenditure Statement account.

A further analysis is presented on a subjective basis, such that types of expenditure and income are analysed in addition to the main expenditure and income by service or operational activity.

Disclosure Requirements

A range of additional notes to the accounting statements are now included.

Housing Revenue Account

There are a range of changes in the presentation format.

Related Party Disclosures

Change from 2009 SORP – the Code does not deem certain parties as related parties, i.e. providers of finance in the course of their normal business, trade unions in the course of their normal dealings and an entity with which the relationship is solely that of an agency. Details of Related Party Disclosures are provided in Note 23 to the Balance Sheet.

Non-current Assets

Infrastructure, community assets and assets under construction (excluding investment property) shall be measured at historical cost. The option to measure at fair value has been withdrawn.

All other classes of asset shall be measured at fair value. If there is no market based evidence of fair value because of the specialist nature of the asset, and the asset is rarely sold, a depreciated replacement cost should be applied. Council dwellings shall be measured using existing use value social housing.

Accounting for depreciation of significant components of an asset shall not be implemented retrospectively. Requirements apply to enhancement and acquisition and revaluations carried out from 1 April 2010.

Leases

There is a requirement to account for leases in accordance with IAS 17 Leases taking note of guidance in IFRIC 4, which means that there is separate accounting treatment of leases dependant on whether it meets the definition of either a Finance or Operating lease (either as lessee or lessor).

Investment Properties

Accounting requirements for Investment Properties have changed and no longer allow balances on the Revaluation Reserve Account in respect of Investment Properties.

Intangible Assets

Changes in respect of accounting for Intangible Assets include ICT software and development of websites - council websites, whose primary purpose is to provide financial information about services & objectives does not provide an economic or service benefit and expenditure on such a website, shall not be recognised as an Intangible Asset.

Impairment of Assets

There are differences in treatment between Revaluation Reserve and Capital Adjustment Account.

Borrowing Costs

There is an option to capitalise borrowing costs associated with “qualifying assets” or treat as a revenue expense. Within the financial Statements for Harlow Council, borrowing costs are treated as a revenue expense item.

Non-current Assets Held for Sale & Discontinued Operations

New classification of Non-current Assets Held for Sale in addition to the 2009 SORP definition of “surplus assets”.

Assets actively being marketed for sale within one year of the balance sheet date have to be valued as Non-current Assets Held for Sale.

Employee Benefits

Accounting requirements require analysis of benefits payable during employment, termination benefits and post-employment benefits section 6.4.

New disclosure notes for pension transactions.

Provisions, Contingent Liabilities & Contingent Assets

Under the Code provisions are presented on the face of the Balance Sheet as either current or non-current liabilities.

Provisions are measured at the present value of the expenditure required to settle the obligation, where the time value of money is significant.

Components

Under IFRS regulations, assets must be recognised into components for depreciation purposes when the component has a significant cost compared to the total cost of the item.

The authority already recognises the separate components of Land and Buildings.

The conventions to be adopted for this Authority are that in order for an individual asset to be valued into further components;

- the non land value of the asset must be worth in excess of £500,000;
- the asset life of the component part must be different from the main asset in order to be componentised;
- each component part must be likely to be at least 10% of the non land value of the asset in order to be valued and recognised as a separate component.

The policy below sets out the detailed approach to be adopted in the identification and valuation of components within the asset portfolio of Harlow District Council - covering all assets held on the councils asset register, including assets:

- Housing; and
- Non Housing related.

De Minimus Levels for the recognition of Components

It is proposed that a de minimus level be set for the non land element of an asset at £500,000. If the non land element of the asset falls below this level then there will be no requirement to identify and value separate components within it. It is felt that given the overall asset portfolio this is a reasonable level to set for both Housing and Non Housing assets.

Adjustments for components within an asset below this level would not be material and can therefore be disregarded.

Identification of Components – Non Housing

Components will be classified as Land, Buildings and Services. Where services combined are less than 10% of the value of the Building they will be disregarded for the purposes of componentisation.

Identification of Components – Housing

It is recognised that elements within each type of property such as Bathrooms, Kitchens and Heating systems may well be significant when aggregated across the councils whole stock and that their life span will be materially different (lower) than the main structures.

For the Purposes of the Housing Stock the recognised components will be Land, Buildings, Services (incl. Heating) and Essential Facilities (Bathrooms and Kitchens combined)

In the high rise housing blocks Lifts will also be considered.

In the same way as for non Housing assets if the component value is less than 10% of the asset value the component(s) will not be valued and recognised separately.

Aggregation.

Where similar components have similar projected lives they may be aggregated as one component for the purposes of depreciation.

In establishing the materiality of the Essential Facilities and Service categories of Housing components similar components can be aggregated across the same type of dwelling category and compared to the aggregate value of the assets to determine materiality.

Results for 2010/11

Revenue spending is generally on items used during the year, and is paid for by Council Tax, National Non-Domestic Rates, Government grants and other income.

During this year the net General Fund spending was £13.8 million met by the precept on the Collection Fund and Government grants.

	Original Estimate	Actual
	£m	£m
Total Net Spending for the Year	16.0	13.8
Met by:		
Collection Fund Demand	7.2	7.2
Government Grants	8.8	8.8
Contribution from/(to) Balances	0	(2.2)
Total Financing	16.0	13.8

Expenditure on services was £2.2 million less than estimated. This has been achieved following a combination of financial restraint and cautious setting of income budgets. A one-off refund of VAT (amounting to £0.568 million) has also contributed to the under-spend, together with a lower cost of interest payments.

General Fund balances now stand at £3.4 million, against the Council's minimum working balance of £1.3 million. A proportion of this balance is to be used to support spending plans that have been carried forward into 2011/12, amounting to £0.45 million.

Capital spending

The Council incurred capital expenditure totalling £10.4m in 2010/11 against an approved programme of £16.7m, with schemes to the value of £2m to be carried forward for completion in 2011/12. These figures exclude the construction of the Harlow Leisurezone (see note below).

Major housing schemes included general improvements to the housing stock £8.5m, and disabled facilities grants £1.0m. Other schemes included Growth Area Funding (regeneration of the town) £1.9m (see note below), IT development £0.4m, and work to Council buildings of £0.2m.

Investment in the housing stock relies heavily on the Major Repairs Allowance of £7.5m, funding made available by central government through the housing subsidy system to finance the replacement of building elements as they fall into disrepair. Other capital spending was financed from asset sales £1.6m, sale of the former swimming pool site £4.1m, other grants and contributions £2.5m, and borrowing £1.2m.

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. The Council borrowed £1.2m in 2010/11 from internal resources, £0.9m to fund housing capital expenditure, and £0.3m towards the non housing programme.

In total the Council has funded £15.6m of capital expenditure from borrowing, of which £5.8m is from external sources, representing a small proportion of the total value of the Council's assets.

Programme of Development

In 2010/11 the Council held £16.6m as the Accountable Body for Programme of Development regeneration schemes. The grant monies included £15.4m for capital work and were made available by DCLG to the Council and its partner local authorities for approved regeneration schemes. During 2010/11 the Council drew down a total

£2.3m of which £1.7m was capital expenditure to complete GAF II regeneration work £0.4m and to meet claims for capital works from partners, for improvement to the River Stort tow path £0.67m, Science Alive at the Leisurezone £0.4m, Transport works by ECC £0.3m and Town Centre North redevelopment £0.94m. Further funding of £0.11m from EEDA and other partners was used to support work on the Town Centre North project.

Capital Receipts

In year capital receipts continue to support capital expenditure with the sale of Council Houses providing £1.4m in 2010/11 (£1.3m 2009/10) although regulations require 75% of this to be paid into a Government Pool so only 25% is available for new investment. Other receipts are fully available and included £4.1m from the sale of the former swimming pool site, and £0.18m from various other land asset sales. All capital receipts in 2010/11 were used to support capital expenditure incurred in year.

The Housing Revenue Account

The Council is the major provider of rented housing in the District and manages approximately 9,888 properties. The Housing Revenue Account Financial Statement shows a contribution to balances for the year of £536,000. At the year end the Housing Revenue Account balance is £2,788,000..

Treasury Management

The Local Government Act 2003 gave Councils the freedom to determine how much they borrow for investment in new capital projects subject to a regulation that such borrowing complies with the "Prudential Code for Capital Finance in Local Authorities". The Prudential Code looks to ensure affordability, prudence and sustainability in relation to determined borrowing limits. The Council determined the required Prudential Code indicators as part of the budget process for 2010/11. The borrowing and investment activities undertaken in the year are in accordance with these determinations.

As investment rates were below long-term borrowing rates, value for money considerations indicated that new external borrowing should be avoided and internal cash balances should continue to be used instead of external borrowing to finance new capital expenditure. This maximised short-term savings and reduced the Council's exposure to interest rate and credit risk. The total external loan debt at the year end was £5.8 million.

Investments totalling £19.354 million were held at the financial year-end, 31 March 2011.

Financial Instruments

These cover our borrowings, investments, loans to individuals and more routine debtors and creditors. The reporting requirements, which were introduced in 2007/08, have a greater impact on the more complex investing and borrowing arrangements, although Harlow Council does not generally become involved with complex financial instruments. However, we are affected by some presentational changes and the requirement to give further information, particularly on investments and borrowings, in notes to the accounts. Some of the changes introduced for borrowings and investments under proper accounting practice conflict with the statutory requirements placed on local authorities, which led to the requirement for a Financial Instruments Adjustment Account to be introduced to hold the balances required to allow for these differences. The balances thus created are written down over the life of the individual financial instruments. Harlow Council does not currently maintain this particular Adjustment Account because its borrowing and investment transactions have required no such adjustments.

Pension Costs

The overall aim is to give a clearer picture of both the current cost of the pension scheme and the potential long term implications, and there are extensive notes included with the relevant financial statements.

The Council's share of the assets and liabilities of the pension fund show an estimated £66.7m shortfall at 31st March 2011 (£85.7m at 31st March 2010). While the figure is substantial it should be remembered that:

- It is not an immediate deficit that has to be met now. The sum is the current assessment taking a long term view of the future liabilities both for existing pensioners and current employees who are accruing pension entitlement.
- It is not a problem unique to the Council or indeed local authorities generally. There is a national problem for pension funds both private and public sector
- The Essex Pension Fund is regularly reviewed and additional contributions have already been initiated to address the problem over a period of future years. The latest triennial actuarial review of the Fund will be undertaken as at 31 March 2011. Any changes in contributions to the Fund following the review will be introduced with effect from April 2011.

Pension fund- The administering authority, Essex County Council, has direct control of the Fund. Note 39 sets out the nature of transactions relating to retirement benefits.

Group Accounts

We are not required to prepare Group Account Statements

Reporting Requirements

Reporting requirements under the Accounts and Audit regulations 2003 required that the accounts for 2009/10 were to be prepared and reported to Members by 30 June. In order to achieve this deadline, a number of items, which have been closed on estimated outturn, are included in the accounts. The effect of these on the 2009/10 accounts is not expected to be material and any differences between estimated and actual outturn will be accounted for in the following year.

Revenue Balance

During 2009/10 the Council undertook a review to determine the appropriate level of reserves and balances. Balances are required to cover a number of potential unforeseen eventualities and risks of additional expenditure being required over and above that allowed for within budgets. This review was based on identifying and then evaluating all potential risks. The exercise identified the minimum prudent level of balances required as £1.3 million..

As at 31 March 2010 the Council's General Fund balances stood at £3.36 million. It is estimated that £1.2 million of these will be required to fund proposals being made to Cabinet. The balances position will continue to be reviewed as part of our ongoing financial planning and monitoring.

Outlook

The Council's Corporate Plan 2009-2012 clearly identifies priorities for action in Harlow. The Council continues, through its budgetary process, to ensure that the Council's limited resources are focussed on these priority areas. The key corporate priorities for 2011/12 to 2015/16, as set out in the Corporate Plan, ranked in order of priority, are as follows:

- Regenerating the town;
- Promoting enterprise;
- Promoting a clean, green, healthy and safe environment ;
- Tackling housing need and improving housing choice;
- Developing good citizenship through promoting aspiration and enabling responsibility;
- Providing value for money

The Council prepares a Medium Term Financial Strategy (MTFS) which provides the parameters for the Council's revenue spending and capital investment plans for the next five years and estimates the Council's likely income across that time. The forecast shows that the Council is facing significant financial pressure and tough decisions will need to be made to maintain investment in priority areas set out in the Corporate Plan

Development of the MTFS has been particularly difficult given the uncertainties relating to the Comprehensive Spending Review (CSR) undertaken by the Government in 2010 and the impact this review has on the Council's future funding and budgets. The MTFS review has also been prepared at a time when the wider economy continues to witness the impact of the credit crunch and the slow move out of recession.

The CSR has resulted in a funding shortfall in 2011/12 which equates to a 15.7% reduction in Formula Grant (Revenue Support Grant and redistributed National Non Domestic Rates). The reduction of a further 10.5% in Formula grant for 2012/13 results in a planned budget gap of £1,975,000.

The resulting budget computations show that the gap to bridge during the next four financial years (2012/13 to 2015/16) to set a balanced, stand-still budget, assuming an annual Council Tax increase of 0%, and current proposed Government funding levels under CSR10 is as follows:

Year	Budget Gap
2012-13	£1,975,000

2013-14	£839,000
2014-15	£396,000
2015-16	£659,000

Turning to the Council's future capital investment, both the housing and non-housing programmes are heavily dependent upon funding from asset disposals, which have proved difficult to plan and predict during 2010/11 in current market conditions. The funding projections reflect a prudent assessment of asset sales in 2010/11 and 2011/12, necessitating short-term borrowing to fund the non-housing programme in 2010/11 in advance of asset disposals. As the disposal programme slows in future years the use of short term borrowing will be replaced with a longer term need to borrow under the Prudential Code and at this point, expected to be from 2012/13. Financing projections reflect a funding gap in the non-housing programme from 2011/12 through to 2015/16, necessitating the review of the priority of projects and examining alternative options for financing. Priority has been given to health and safety related projects, to those projects that have been committed, and to those which have previously been approved and committed but did not commence in 2010/11. Meanwhile, several projects may benefit from Growth Area Funding, a source of Central Government funding towards regeneration and economic growth within the area.

In meeting the challenges presented above, Harlow Council is seeking innovative and cost-effective solutions that will ensure that it can continue to provide its key services at the maximum level affordable. For example, such innovations include partnership arrangements with other local authorities designed to reduce costs without losing service quality.

The Government is currently consulting on a major reform of the housing finance system. The Council will assess the proposals in detail as there are major financial implications for Harlow's housing operations.

For more information about these accounts, please contact:

**Simon Freeman, Head of Finance, Civic Centre, College Square, Water Gardens,
Harlow, Essex, CM20 1WG**

Telephone: HARLOW (01279) 446228

E-mail: simon.freeman@harlow.gov.uk

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority must:

- Make arrangements for the proper administration of its financial affairs and make one of its officers responsible for the administration of those affairs. In this Authority, that officer is the Head of Finance.
- Manage its affairs to bring about economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts.

I confirm that these accounts were approved by the Council's Cabinet at the meeting held on 28 September 2011.

*Meeting date to be
confirmed*

Signed on behalf of Harlow District Council
Councillor
Chair of meeting approving the accounts:
Date: 29 September 2011

Responsibilities of the Head of Finance

The Head of Finance is responsible for preparing the authority's Statement of Accounts under the proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice

The Head of Finance has also:

- kept proper accounting records which were up to date
- taken reasonable steps to prevent and detect fraud and other irregularities

Head of Finance's Certificate

I certify that the accounts set out on pages 1 to 98 give a true and fair view of the financial position of the Council as at 31 March 2011 and its income and expenditure for the year then ended.

Simon Freeman
Head of Finance
30 June 2011

1. ACCOUNTING POLICIES

In paragraph 3.4.2.79 from the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11: Based on International Financial Reporting Standards

The summary of significant accounting policies shall include the following items where they have a significant effect on the amounts recognised in the financial statements:

i) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on 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 without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv) Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

v) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post Employment Benefits

- Employees of the Authority are members of the Local Government Pensions Scheme, administered by Essex County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Essex Pension Fund attributable to the Authority 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 projected earnings for current employees.
- The assets of Essex Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
 - contributions paid to the Essex 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 Authority 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 are earned by employees.

Discretionary Benefits

The Authority also 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 (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

[Additional policy detail required where an authority makes material payments in relation to injury awards.]

viii) Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix) Financial Instruments

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

There have been no gains and losses on the repurchase or early settlement of borrowing during the financial year 2010/11.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. Harlow Council holds no such assets.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

x) Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. The value of any such transactions was insignificant and there were no amounts in foreign currency outstanding at the year-end, 31 March 2011. Any gains or losses on currency transactions were

recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, 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.

Under the Code, grants and contribution for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred (applied) account at 31 March 2009 has been transferred to the Capital Adjustment Account in the Opening 1st April 2009 Balance Sheet.
- Portions of government grants deferred (applied) were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the 2009/10 comparative values.
- Unapplied grants that were identified to have outstanding conditions have been transferred from the Government Grants Deferred (unapplied) account to the new Capital Grants Received in Advance account included within Long term liabilities section of the Balance Sheet.
- Unapplied grants that were identified to have no outstanding conditions have been taken to the Comprehensive Income and Expenditure Statement as income and then transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.
- There is no change to the General Fund Balance as capital grant income is transferred out of the General Fund Balance under both the previous and the current accounting policies.

xii) Taxation and Non-Specific Grant Income

Accounting Treatment

Under IFRS capital grants are no longer be amortised to service revenue accounts within the Comprehensive Income and Expenditure account over the life of the asset(s) the grants are funding.

Capital grants are to be credited in full in the year of receipt to the Comprehensive Income and Expenditure "Taxation and non-specific grant income" where **no conditions** exist or where conditions have been met.

If there are conditions that have not been met, the capital grant is credited to Capital Grants Receipts in Advance. Once the conditions have been met, the grant is transferred from Capital Grants Receipts in Advance to the Comprehensive Income and Expenditure Taxation and non-specific grant income account.

Where capital grant has been credited to the Comprehensive Income and Expenditure Taxation and non-specific grant income account, if the related capital expenditure has been incurred, the grant is transferred from the Comprehensive Income and Expenditure "Taxation and non-specific grant income" account through the Statement of Movement on Reserves to the Capital Adjustment Account (Capital Adjustment Account). If the capital expenditure has not been incurred, the grant is transferred from the Comprehensive Income and Expenditure account Statement of Movement on Reserves to the Capital Grants Unapplied Account. When the capital expenditure is subsequently incurred, the grant is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account.

Conditions

Entitlement to grant may require certain conditions being met, without which the grant would have to be repaid. Until those conditions have been met the grant cannot be taken to the Comprehensive Income and Expenditure account. The Code of Practice guidance sets out the definition of a "condition" (as opposed to a "restriction"). Whether the expenditure on the related asset has or has not yet been incurred in itself is not a condition for this purpose.

- For grants balance at 31 March 2009 where conditions exist unmet, if conditions have been met in 2009/10, transfer grant from Capital Grants Receipts in Advance to Comprehensive Income and Expenditure Service Accounts and from Statement of Movement on Reserves to the Capital Adjustment Account.
- For grants balance at 31 March 2009 where no conditions exist but related capital expenditure was incurred in 2009/10, transfer grant from Capital Grants Unapplied to the Capital Adjustment Account.
- For grants received in 2009/10 where conditions exist unmet at 31 March 2010 transfer grant from Grants Deferred to Capital Grants Receipts in Advance
- For grants received in 2009/10 where no conditions exist at 31 March 2010, transfer grant from Grants Deferred to Comprehensive Income and Expenditure Service Accounts.
- For grants received in 2009/10 where no conditions exist at 31 March 2010, and related capital expenditure has been incurred, transfer from Statement of Movement on Reserves to the Capital Adjustment Account
- and where related capital expenditure has not been incurred, from Statement of Movement on Reserves to Capital Grants Unapplied.

Grant Adjustments	1st April 2009 Balances	Capital grants SORP adjustments	Capital grants IFRS Adjustments	Balance * excluding non-Government grant deferred transactions
	£'000	£'000	£'000	£'000
Govt Grants Deferred	(1,396)	1,396	25,505	26,901
Capital Grants Received in Advance	0	(841)	(35)	(876)
Usable Reserves				0
Capital Grants Unapplied Reserve		(72)	(4)	(76)
Unusable Reserves				0
Capital Adjustment Account	(623,501)	(483)	(25,466)	* (25,949)

Revenue Grants

Under the Code, grants and contribution for revenue schemes are recognised as income when they become receivable. Previously, revenue grants were held in receipts in advance and recognised as income when the expenditure was incurred by the Council with which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- Revenue grants that were identified to have no outstanding conditions have been taken to the Comprehensive Income and Expenditure Statement as income and then transferred to an earmarked reserve in the Reserves section of the Balance Sheet.
- Revenue grants that were identified to have outstanding conditions remain within Short-Term Creditors section of the Balance Sheet.

The income received in the Comprehensive Income and Expenditure Statement is transferred from the General Fund to the Earmarked Reserves. This transfer is shown in the Movement in Reserves Statement.

Treatment of Government & Other Grants

Dependant on whether Governmental Grants have conditions that exist and whether these conditions remain met or unmet determines whether Grants deferred balances are re-allocated to Capital Grants Receipts in Advance, Capital Grants Unapplied or CAA.

Capital grants are to be credited to the Comprehensive Income & Expenditure Statement where “conditions” have been met. Where conditions remain unmet, the grant is credited to Capital Grants Receipts in Advance.

Where capital grant is credited to the Comprehensive Income & Expenditure Statement and related capital expenditure has been incurred, a debit is put through the comprehensive income & expenditure statement and credited to the Capital Adjustment Account (CAA). Where capital expenditure has not been incurred at the year end, the debit on the Comprehensive Income & Expenditure Statement is credited to the Capital Grants Unapplied Account. When the capital expenditure is subsequently incurred, the Capital Grants Unapplied Account is debited, with a credit to the CAA.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

In 2010/11 the Council received £127,922 Area Based Grant funding direct from the Government Office (2009/10 £112,340), which is accounted for in the Income & Expenditure Account under General Government Grants. Essex County Council distributed £1,226,905 of its Area Based Grant to the participating district authorities within the partnership; the Council received £94,984 of this total (2009/10 £1,503,000 and £116,000 respectively).

Business Improvement Districts

A Business Improvement District (BID) scheme applies across the whole of the Authority. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

xiii) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv) Interests in Companies and Other Entities

Joint Venture Company - Kier Harlow Limited

On 1st February 2007 the Council, in partnership with Kier Support Services Limited, formed a Joint Venture Company, Kier Harlow Limited, to undertake the Council's housing property and street scene services.

The contract with Kier Harlow Limited is for a seven-year period, with an option to extend the contract to ten years. The value of the seven-year contract totals £119m. The main activities covered under the contract include:

- Housing property services maintenance & capital works
- Other council property maintenance and cleaning
- Grounds maintenance
- Street cleaning

The Council has a 19.9% shareholding in the company and has the right to appoint one director to the Board of Directors. The Council is entitled to receive company dividends proportional to its shareholding, and a share of future profit on work carried out by the company for third parties.

Council staff previously employed to undertake the service activities within the scope of the new contract were transferred to Kier Harlow Ltd under TUPE regulations. In setting up the company Council owned vehicles used on services within the scope of the contract were transferred to Kier Harlow Limited at nil charge. At the end of the contract the Council will be provided with a replacement fleet of equivalent value and condition at nil cost.

The Company operates from Council owned depots at Mead Park, Staple Tye, Gilden Way and 3 Wych Elm (part), which have been assigned to the company on full repairing leases for the duration of the contract."

The Council does not have a controlling or significant interest over the operating or financial policies of the company whose business plan is built around the development of third party business.

Harlow Leisurezone

The Harlow LeisureZone is a new sports complex constructed using "Gateway" regeneration money. A number of partners, including the Council, were involved in the project for the construction on land owned by the Council.

The Harlow Leisurezone was opened in 2010.

One Member was appointed by the Council to be its representative on the Board during 2009/10 when the Leisurezone facility was still under construction.

Harlow Leisurezone is operated by Harlow & District Sports Trust which was established in 1959 and is a Charitable Trust Limited by guarantee.

The HCA (Homes and Communities Agency) were acting as an agent and therefore both the cost of construction and associated funding has been recorded in the Council's accounts, notwithstanding that on completion the building will be leased long term to Harlow Sports Trust and its value reflected in the Council's accounts at a nominal amount.

Harlow Regeneration Ltd

Harlow Council entered a legal agreement with an international developer to enable plans to be drawn up for the regeneration of Harlow Town Centre North.

The agreement was to enable designs to be brought forward ahead of a planning application to be submitted in 2010.

As a result of the global economic situation the developer took a commercial decision to withdraw from the UK market.

Harlow Council purchased the relevant subsidiary last year for £1 to obtain the commercial rights to the designs and maintain the relationship with the existing contractor team, thus protecting the future of the scheme and to avoid the need to repeat work.

The newly constituted Board for Harlow Regeneration Limited will convene as week commencing 13th June 2011 consider and if thought appropriate pass resolutions to (subject to the Agreement of the Registrar of Companies) change the name of Harlow Regeneration Limited to Harlow Council Regeneration Limited.

The multi-agency redevelopment team of Harlow Council, East of England Development Agency (until 31.3.11), Essex County Council and the Homes & Communities Agency are shortly to advertise for a new developer to enable the plans to be progressed to planning application stage.

xv) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the *[FIFO/weighted average]* costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xvi) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvii) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint

venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xviii) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment 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 for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are then substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure

Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.]

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xix) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xx) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure 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 Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- [the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.]

The Authority 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 variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.]

Where decreases in value are identified, they are accounted for by:

- 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 Comprehensive Income and Expenditure Statement.

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.

Where impairment losses are identified, they are accounted for by:

-
- 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 Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts 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 that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Harlow District Council has no items subject to componentisation.

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.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be

credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xxi) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxii) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes and to cover contingencies (such as self-financing insurance cover). Harlow Council also maintains a range of perpetuity reserves, which were established using funds historically paid to the Council within property transactions for the purpose of 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 Comprehensive Income and Expenditure Statement. 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.

Certain reserves are kept by an authority to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xxiii) 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 Comprehensive Income and Expenditure Statement in the year. Where the Authority 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 to that there is no impact on the level of council tax.

xxiv) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. ADJUSTMENTS MADE FOR THE TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different to the equivalent figures presented in the Statement of Accounts for 2009/10 that were prepared under the previous accounting requirements.

The following notes explain the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

a.) Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant type of this benefit is holiday pay.

Employees build up entitlement to paid holiday as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their future entitlement to future compensated absences. As a result the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting requirements no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Accounts until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following charges being made to the 2009/10 financial statements.

b.) Leases

Under the Code, lease of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land and buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be

unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it was accounted for the income prior to the introduction of the Code.

The Council has 3 leases where the accounting treatment has changed following the introduction of the Code.

Council as a Lessee

The Council's operational leases have been reviewed to check that none fell under the broader IFRS definition of a Finance Lease. No operational leases needed to be reclassified as Finance leases.

Council as a Lessor

The Council leases out a nightclub to a third party. This lease remains classified as a finance lease.

ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

For 2010/11 the only accounting policy change that needs to be reported relates to FRS 30 Heritage Assets.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority 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 Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items should be set out in a note. However, there are no material items to be disclosed.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Head of Finance on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information

MOVEMENT IN RESERVES STATEMENT – THE YEAR ENDED 31 MARCH 2011

This statement shows the movement in the year on the different reserves held by the authority, 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 authority's services, more details of which are shown in the Comprehensive 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 dwellings 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.

	General Fund Balance	Earmarked General Fund Reserves	Earmarked HRA Reserves	Housing Revenue Account Balance	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2009 - Restated	2,705	945	2,988	1,529			72	8,239	620,406	628,645
Movement in reserves during 2009/10										
Surplus or (deficit) on provision of services	18,266			(28,225)				(9,959)		(9,959)
Other Comprehensive Income and Expenditure									18,691	18,691
Total Comprehensive Income and Expenditure	18,266	0	0	(28,225)	0	0	0	(9,959)	18,691	8,732
Adjustments between accounting basis & funding basis under regulations (Note 7)	(17,290)			28,857			5	11,572	(11,572)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	976	0	0	632	0	0	5	1,613	7,119	8,732
Transfers to/from Earmarked Reserves (Note 8)	(432)	432	(71)	71						
Increase/Decrease in 2009/10	544	432	(71)	703	0	0	5	1,613	7,119	8,732
Balance at 31 March 2010 carried forward	3,249	1,377	2,917	2,232	0	0	77	9,852	627,525	637,377
Movement in reserves during 2010/11										0
Surplus or (deficit) on provision of services	33,623	0	0	57,903				91,526	(756)	90,770
Other Comprehensive Income and Expenditure		1,892	722					2,614	13,686	16,300
Total Comprehensive Income and Expenditure	33,623	1,892	722	57,903				94,140	13,686	107,826
Adjustments between accounting basis & funding basis under regulations (Note 7)	(33,353)	0	0	(57,829)			(6)	(91,188)	(91,188)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	270	1,892	722	74			(6)	2,952	(77,502)	107,826
Transfers to/from Earmarked Reserves (Note 8)	(156)	156	(462)	462				0		0
Increase/Decrease in Year	114	2,048	260	536			(6)	2,952	(77,502)	107,826
Balance at 31 March 2011 carried forward	3,363	3,425	3,177	2,768	0	0	71	12,804	516,832	529,636

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT THE YEAR ENDED 31 MARCH 2011

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. Authorities 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.

	Gross Expenditure £'000	2010/11 Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	2009/10 Gross Income £'000	Net Expenditure £'000
Central services to the public	12,268	(10,379)	1,889	11,150	(9,106)	2,044
Cultural, environmental, regulatory and planning services	67,210	(28,259)	38,951	17,272	(8,328)	8,944
Highways and transport services	3,285	(1,380)	1,905	2,805	(884)	1,921
Local Authority Housing (HRA)	102,077	(44,294)	57,783	73,002	(44,124)	28,878
Other housing services	39,059	(37,478)	1,581	35,548	(34,574)	974
Adult social care	2,912	(2,574)	338	2,709	(2,251)	458
Corporate and democratic core	3,581	(1,624)	1,957	2,160	(2)	2,158
Non distributed costs	10,356	(11,044)	(688)	1,842	(298)	1,544
Cost of Services			103,716			46,921
Other operating expenditure (Note 9)			1,842			333
Financing and investment income and expenditure (Note 10)			3,806			5,296
Taxation and non-specific grant income (Note 11)			(18,594)			(42,591)
(Surplus) or Deficit on Provision of Services			90,770			9,959
Surplus or deficit on revaluation of Property, Plant and Equipment assets			36,896			(37,824)
Actuarial gains/losses on pension assets/liabilities			(19,840)			19,133
Other Comprehensive Income and Expenditure			17,056			(18,691)
Total Comprehensive Income and Expenditure			107,826			(8,732)

BALANCE SHEET AS AT 31 MARCH 2011			31/03/2011	31/03/2010	01/04/2009
	Note		£'000	Restated £'000	Restated £'000
Property, Plant & Equipment	3.	- Community assets	1,809	1,687	911
		- Council dwellings	522,529	626,667	626,442
		- Infrastructure assets	5,678	5,793	5,942
		- Other land and buildings	30,476	61,039	31,262
		- Vehicles, plant, furniture and equipment	3,852	4,415	1,029
		Operational Leases	24. 5,877	4,140	0
Property, Plant & Equipment Total			570,221	703,741	665,586
Investment Property		- Investment properties	4. 27,019	22,245	28,786
Investment Property Total			27,019	22,245	28,786
Intangible Assets		Intangible assets	5. 863	921	1,054
Intangible Assets Total			863	921	1,054
Long term Debtors		Government grants-deferred	2. 2	12	0
		Mortgages	11	12	15
		Other Long Term Debtors	13. 475	388	198
		Capital Grants Received in Advance	2. (835)	(876)	0
Long term Debtors Total			(347)	(464)	212
Inventories		Stocks and work in progress	7. 45	39	51
Inventories Total			45	39	51
Short Term Debtors		Debtors	8. 21,742	19,446	15,166
		Provisions for Bad Debts	(3,498)	(3,614)	(4,883)
Short Term Debtors Total			18,244	15,832	10,283
Cash & Cash Equivalents	10.	Cash held by the Authority	9	9	9
		Bank Current Accounts	541	457	703
		Short Term Deposits with Building Societies	19,365	14,206	14,005
Cash & Cash Equivalents Total			19,915	14,672	14,717
Short Term Borrowing		Borrowing repayable on demand or within 12 months	(10)	(10)	0
Short Term Borrowing Total			(10)	(10)	0
Short Term Creditors		Creditors	9. (31,684)	(25,398)	(18,949)
Short Term Creditors Total			(31,684)	(25,398)	(18,949)
Provisions		Provisions	14. (116)	0	(15)
Provisions Total			(116)	0	(15)
Long Term Borrowing		Long Term Creditors	12. (275)	(252)	(78)
		Borrowing repayable within a period in excess of 12 months	(7,495)	(8,203)	(7,299)
Long Term Borrowing Total			(7,770)	(8,455)	(7,377)
Other Long Term Borrowing		Liability related to defined benefit pension schemes	27. (66,744)	(85,661)	(65,703)
Other Long Term Borrowing Total			(66,744)	(85,661)	(65,703)
Usable Reserves	15.	Earmarked Reserves	1. (6,603)	(4,294)	(3,933)
		HRA Balances	(2,768)	(2,232)	(1,529)
		Capital Grants Unapplied	2. (70)	(77)	(72)
		General Fund Balances	(3,363)	(3,249)	(2,705)
Usable Reserves Total			(12,804)	(9,852)	(8,239)
Unusable Reserves	16.	Capital Adjustment Account	(542,401)	(623,526)	(623,984)
		Collection Fund Adjustment Account	82	42	47
		Deferred Liabilities	(256)	(216)	0
		Pensions Reserve	27. 66,744	85,661	65,703
		Revaluation Reserve	(41,055)	(89,667)	(62,258)
		Leave Accrual	54	96	86
Unusable Reserves Total			(516,832)	(627,610)	(620,406)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority 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'

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

	31 March 2011	31 March 2010
	£'000	£'000
Net (surplus) or deficit on the provision of services	90,770	9,959
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(91,616)	(9,413)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0	0
Balancing Figure	1,192	(1,203)
Net cash flows from Operating Activities (Note 25)	346	343
Investing Activities (Note 26)	(817)	(218)
Financing Activities (Note 27)	(255)	250
Balancing Figure	5,969	(420)
Net increase or decrease in cash and cash equivalents	5,243	(45)
Cash and cash equivalents at the beginning of the reporting period	14,672	14,717
Cash and cash equivalents at the end of the reporting period (Note 19)	19,915	14,672

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The following statements detail 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 the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2010/11	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Movement in Usable Reserves	Movement in Unusable Reserves	Total Movement in Reserves
	£'000	£'000	£'000	£'000	£'000
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	(1,867)	(58,756)	(60,623)	60,623	0
Write outs of non current assets			0	0	0
Revaluation losses on Property, Plant and Equipment			0	0	0
Revaluation losses on Assets held for Sale			0	0	0
Movements in the market value of Investment Properties			0	0	0
Amortisation of intangible assets	(415)	0	(415)	415	0
Capital grants and contributions applied			0	0	0
Write down of Revenue expenditure funded from Capital under Statute	(198)	0	(198)	198	
Movement in the Donated Assets Account			0	0	0
General Capital Contributions			0	0	0
Capital contributions deferred written down	2,595		2,595	(2,595)	0
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	(109)	927	818	(818)	0
Reversal of a previously recognised losses with revaluation gains			0	0	0
Capital grant income applied in the year			0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement			0	0	0
Statutory Minimum Revenue Provision for the financing of Capital Expenditure	311	0	311	(311)	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve	(1,158)	0	(1,158)	1,158	0
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			0	0	0
Adjustments primarily involving the Pensions Reserve			0	0	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(37,743)	0	(37,743)	37,743	0
Employer's pension contributions and direct payments to pensions payable in the year	5,231	0	5,231	(5,231)	0
Adjustments primarily involving the Collection Fund Adjustment Account			0	0	0
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			0	0	0
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account			0	0	0
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with 2 statutory requirements			0	0	0
Adjustments primarily involving the Accumulated Absences Account			0	0	0
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]			0	0	0
Totals	(33,353)	(57,829)	(91,182)	91,182	0

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS					
2009/10	Usable Reserves				Total Movement in Reserves
	General Fund Balance	Housing Revenue Account	Movement in Usable Reserves	Movement in Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account	(4,522)	0	(4,522)	4,522	0
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Charges for depreciation and impairment of non current assets	0	0	0	0	0
Write outs of non current assets	0	0	0	0	0
Revaluation losses on Property, Plant and Equipment		0	0	0	0
Revaluation losses on Assets held for Sale	(304)	0	(304)	304	0
Movements in the market value of Investment Properties	0	0	0	0	0
Amortisation of intangible assets	(484)	0	(484)	484	0
Capital grants and contributions applied			0	0	0
Write down of Revenue expenditure funded from Capital under Statute	0	0	0	0	0
Movement in the Donated Assets Account	25,930	0	25,930	(25,930)	0
General Capital Contributions	50	455	505	(505)	0
Capital contributions deferred written down		0	0	0	0
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	0	0	0	0	0
Reversal of a previously recognised losses with revaluation gains	0	0	0	0	0
Capital grant income applied in the year	181	0	181	(181)	0
Capital receipts not linked to disposal of non current assets	(1,055)		(1,055)	1,055	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve	0	0	0	0	0
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(30,998)	(30,998)	30,998	0
Interest receivable on impaired investments	0	0	0	0	0
Premiums and discounts written down	(6,169)	(218)	(6,387)	6,387	0
Adjustments primarily involving the Pensions Reserve	3,658	1,904	5,562	(5,562)	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Employer's pension contributions and direct payments to pensions payable in the year	5		5	(5)	0
Adjustments primarily involving the Collection Fund Adjustment Account				0	0
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	0	0	0	0	0
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account	0	0	0	0	0
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0	0
Adjustments primarily involving the Accumulated Absences Account	0	0	0	0	0
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]			0	0	0
Totals	17,290	(28,857)	(11,567)	11,567	0

NOTES TO THE ACCOUNTS

A. Comprehensive Income and Expenditure Statement

1. OTHER OPERATING EXPENDITURE

	2010/2011	2009/10
	£'000	£'000
(Surpluses)/deficits on trading undertakings	(134)	(217)
Net -gain/loss on disposal of fixed assets	818	(505)
contribution Housing Cap receipts to Govt pool	1,158	1,055
Total	1,842	333

2. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2010/2011	2009/10
	£'000	£'000
Interest payable & similar charges	411	423
Interest and investment income	(64)	(80)
Pensions interest cost and expected return on pensions assets	4,142	4,953
Capital grants and contributions receivable	(683)	0
Total	3,806	5,296

3. TAXATION AND NON SPECIFIC GRANT INCOMES

	2010/2011	2009/10
	£'000	£'000
Council tax income	7,102	7,116
Non domestic rates	7,774	7,198
Non-ringfenced government grants:		
<i>Revenue Support Grant/ Other</i>	2,463	1,902
<i>Other Non-ringfenced government grants</i>	1,255	26,375
Total	18,594	42,591

B. Other Notes

1. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA 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 2010/11.

	Balance at 1 April 2009	Transfers to (from)	Balance at 31 March 2010	Transfers to (from)	Balance at 31 March 2011
	£'000	£'000	£'000	£'000	£'000
General Fund:					
Insurance Fund	705	420	1,125	(348)	(1,473)
Insurance Claims	150	(13)	137	(842)	(980)
Maintenance in Perpetuity	2,917	(259)	2,658	24	(2,633)
Benefit Subsidy Fund	0	0	0	(150)	(150)
Standards Committee	50	-	50	0	(50)
Severance Reserve	0	115	115	(635)	(750)
Invest-to-Save Reserve	0	24	24	(365)	(389)
Residual Land Transfer	0	93	93	0	(93)
Environment Reserve	111	(19)	92	7	(85)
	3,933	361	4,294	(2,309)	(6,603)

2. GRANTS

CAPITAL GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

	2010/11	2009/10
	£'000	£'000
Credited to Taxation and Non-specific Grant Income		
Housing Leaseholder Contribution	629	206
Housing Capital Grant	46	67
Bus Terminus	7	71
Aneurin Bevan Centre	36	0
EP Pitch Regeneration	6	0
ECC Latton Woods	20	0
Planning Delivery Grant	7	0
EEDA	45	0
GAF/POD	329	121
GAF Swap	130	0
Insulation Grant	0	170
NI 156 PR Homeless Grant	0	2
Leisure Zone	0	25,186
Stow Security	0	28
ECC IAA Funding	0	500
ECC Pledge Recycling Bins	0	25
Total	1,255	26,376

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

	31 March 2011
	£'000
Capital Grants Receipts in Advance	
Pitch Regeneration	835
Total	835
Donated Assets Account	0
Total	835

Analysis Of Government Grants

General Government Grants

	2010/11	2009/10
	£'000	£'000
Revenue Support Grant	1,129	1,661
LABGI	0	46
Area Based Grant	128	112
Planning Delivery Grant	0	83
	-----	-----
	1,257	1,902
	-----	-----

	2010/11	2009/10
	£'000	£'000
DSS Grants		
Rent allowances	14,837	12,789
Rent rebates	20,619	19,782
Council tax benefits	8,641	8,184
	-----	-----
	44,097	40,755
	-----	-----
Other government grants		
Housing benefit administration	914	958
Council tax billing	-	9
NNDR empty properties	7	12
Empty Shop Revival grant	-	53
Sheltered employment	70	86
Business rates	131	-
Local Housing allowance	29	-
Homelessness	81	156
Elections	-	-
Future Jobs Fund	683	219
Wildspace & Forestry Commission	-	3
New Deal	1	1
Environmental damages grant	-	1
ESA implementation	10	-
Crime reduction programme	171	288
New Burdons Habitats grant	9	17
Growth Fund	231	-
Concessionary travel scheme	370	360
Sport England	-	21
Growth Area Funding/ Programme of Development (POD)	346	1,157
Disabled Facilities Grant	-	281
	-----	-----
Total Revenue Grants	3,053	3,622
	-----	-----
Capital Grants		
Housing grant	-	67
Council tax billing	-	-
Growth Area Funding/ Programme of Development (POD)	-	89
Home insulation grant	-	132
Homelessness	-	2
Waste minimisation	-	-
Planning delivery grant	-	-
Sport England	-	-
	-----	-----
Total Capital Grants	-	290
	-----	-----

REVENUE GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11

	2010/11	2009/10
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Rent Allowances	14,837	12,789
Rent Rebates	20,619	19,782
Council Tax Benefits	8,641	8,184
Housing Benefit Administration	914	958
Council Tax Billing	-	9
NNDR Empty Properties	7	12
Empty Shop Revival Grant	-	53
Workstep	70	86
Business Rates	131	-
Local Housing Allowance	29	-
Homelessness	81	156
Future Jobs Fund	683	219
Wildspace & Forestry Commission	-	3
New Deal	1	1
Environmental Damages	-	1
ESA Implementation	10	-
Crime Reduction Programme	171	288
New Burdens Habitats	9	17
Growth Fund	231	-
Concessionary Travel	370	360
Sport England	-	21
Growth Area Funding	346	1,157
Disabled Facilities	-	281
Total	47,150	44,377

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

	31 March 2011
	£'000
Capital Grants Receipts in Advance	
English Partnership Pitch Regeneration	834
Total	834

Revenue Grants

Under the Code, grants and contribution for revenue schemes are recognised as income when they become receivable. Previously, revenue grants were held in receipts in advance and recognised as income when the expenditure was incurred by the Council with which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- Revenue grants that were identified to have no outstanding conditions have been taken to the Comprehensive Income and Expenditure Statement as income

This has resulted in the £25.917 million worth of Government Grants being credited to the Comprehensive Income and Expenditure Statement (not to services, but instead to the "Taxation and non-specific grant

income2 line) from the Grants Deferred balance sheet account via the Statement of Movement on Reserves and the reversal of £0.449 million of Government Grants from Service Costs in the restated 2009/10 financial statements

3. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2010/11 are shown on the next page, followed immediately by Comparative Movements in 2009/10:

Movements on Balances in 2010/11

	Council Dwellings £000	Other land & buildings £000	Operational Leases £000	Finance Leases £000	Vehicles Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under construction £000	Total £000
Cost or Valuation										
At 1 April	626,667	33,164	4,233	560	6,592	6,403	1,688	0	29,586	708,892
Additions	-120	-1,526	785	0	130	92	20	1,500	0	881
Donations	0	0	0	0	0	0	0	0	0	0
Revaluation increases (decreases) recognised in Revaluation Reserve	-43,550	3,097	1,132	-119	0	0	102	2,639	0	-36,701
Revaluation increases (decreases) recognised in the surplus / deficit on provision of services	-29,817	-1,406	-33	-310	0	0	0	0	-29,586	-61,151
Derecognition - disposals	-2,420	0	0	0	0	0	0	-4,139	0	-6,559
Derecognition - other assets reclassified (to)/from Held For Sale	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	-0	-4	2	0	-3	0	0	0	0	-5
At 31 March	550,760	33,325	6,119	131	6,719	6,495	1,810	0	0	605,358
Accumulated Depreciation										
At 1 April	0	-2,235	-93	-35	-2,177	-611	0	0	0	-5,150
Depreciation charge	0	3	-4	0	0	0	0	0	0	-1
Depreciation charge written out to the Revaluation Reserve	-7,430	-253	-51	-6	-382	0	0	0	0	-8,122
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	-20,801	-455	-95	2	-308	-206	0	0	0	-21,863
Impairment losses (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Impairment losses (reversals) recognised in the Surplus/Deficit on provision of services	0	0	0	0	0	0	0	0	0	0
Derecognition - disposals	0	0	0	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0	0	0	0
Other movements in depreciation	0	0	0	0	0	0	0	0	0	0
At 31 March	-28,231	-2,940	-242	-40	-2,867	-817	0	0	0	-35,137
Net Book Value										
At 31 March 2011	522,529	30,385	5,877	91	3,852	5,678	1,810	0	0	570,222
At 1 April 2010	626,667	30,929	4,140	525	4,415	5,792	1,688	0	29,586	703,742

Comparative Movements in 2009/10

	Council Dwellings £000	Other land & buildings £000	Operational Leases £000	Finance Leases £000	Vehicles Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under construction £000	Total £000
Cost or Valuation										
At 1 April	626,442	32,207	4,427	586	2,842	6,324	936	0	3,960	677,724
Additions	0	0	0	0	789	79	0	0	25,186	26,053
Donations	0	0	0	0	0	0	0	0	0	0
Revaluation increases (decreases) recognised in Revaluation Reserve	29,938	2,512	-489	-25	2,970	0	752	0	0	35,657
Revaluation increases (decreases) recognised in the surplus / deficit on provision of services	1,256	-1,554	305	-1	-9	0	0	0	440	437
Derecognition - disposals	-945	0	0	0	0	0	0	0	0	-945
Derecognition - other assets reclassified (to)/from Held For Sale	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	-30,023	0	-12	0	0	0	0	0	0	-30,034
At 31 March	626,667	33,164	4,233	560	6,592	6,403	1,688	0	29,586	708,893
Accumulated Depreciation										
At 1 April	0	-1,435	-12	-10	-1,813	-407	-1	0	0	-3,677
Depreciation charge	0	0	0	0	0	0	0	0	0	0
Depreciation charge written out to the Revaluation Reserve	-4,231	-203	-36	-7	-51	-0	1	0	0	-4,529
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	-25,791	-598	-57	-18	-312	-204	0	0	0	-26,980
Impairment losses (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Impairment losses (reversals) recognised in the Surplus/Deficit on provision of services	0	0	0	0	0	0	0	0	0	0
Derecognition - disposals	0	0	0	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0	0	0	0
Other movements in depreciation	30,023	0	12	0	0	0	0	0	0	30,035
At 31 March	0	-2,235	-93	-35	-2,177	-611	0	0	0	-5,151
Net Book Value										
At 31 March 2010	626,667	30,929	4,140	525	4,415	5,792	1,688	0	29,586	703,741
At 1 April 2009	626,442	30,772	4,416	576	1,029	5,918	936	0	3,960	674,047

Depreciation

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

- Council Dwellings – will vary depending on the type of dwelling, but typically around 20 years
- Other Land and Buildings – will vary according to assessment by Valuer
- Vehicles, Plant, Furniture & Equipment – straight line depreciation over 5 years
- Infrastructure – 40 years

Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £1,857,000. Similar commitments at 31 March 2010 were £1,013,000. The major commitments are:

- Kingland & Willowfield: £202,000
- Bishopsfield Replacement UPvC Windows and Doors: £122,000
- Townwide Building Defects: £137,000
- Installation of Gas Central Heating: £232,000
- Kitchens and Bathrooms: £379,000
- Ladyshot Flats: £152,000
- Latton Bush area flat blocks external refurbishment: £101,000

Effects of Changes in Estimates

In 2010/11, Harlow Council had all of its land and property revalued and remaining useful life reassessed. In addition the annual revaluation of council dwellings produced a significant fall in the balance sheet value. This was due to the Existing Use Value factor for the region reducing from 46% to 39%.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out externally. 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 (RICS Valuation Standards 6th Edition, in so far that is consistent with the IFRS standards and CIPFA interpretation). 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.

For each asset occupied and used by your Authority in the delivery of services for which you have either a statutory or a discretionary responsibility, the basis of valuation required is Fair Value.

Fair Value is defined in IAS16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.

The CIPFA Code of Practice at para 4.1.1.6 provides that for operational assets, Fair Value is to be interpreted as being the amount that would be paid for the asset in its existing use, and that this requirement is met by providing a valuation on the basis of Existing Use Value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards.

UKPS 1.3 defines this 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 acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.”

Where an owner-occupied operational property has been valued to Fair value on the basis of EUV, the total value has been apportioned between its land and non-land (i.e. building) parts, with the latter representing the depreciable amount. Remaining life information is supplied for the building.

It is emphasised that these are informal apportionments supplied solely for the depreciation accounting purposes and do not constitute formal valuations of the land and buildings parts and should not be relied upon for any other purpose. (RICS Valuation Standards UK Appendix 1.4 para 4.3).

Net Book Values	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	560,377	57,096	1,322	0	618,795
Valued at fair value as at:					
31 March 2009	626,442	35,764	1,029	0	663,233
31 March 2010	626,667	35,594	4,415	0	666,675
31 March 2011	522,529	36,353	3,852	0	562,734

Heritage Assets

The Code of Practice for 2011/12 requires that Councils disclose Heritage Assets held. This will cover a wide range of items held mainly at the Harlow Museum, not currently valued for inclusion on the Council's Non Current Asset Register. The only relevant and material items currently included is the artwork and sculpture owned by Harlow Council, which is either on public display around the town, or in the Gibberd Gallery or in storage. These are currently listed under Community Assets with a carrying value of £853,000.

4. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2010/2011	2009/10
	£'000	£'000
Rental income from investment property	1,930	1,825
Direct operating expenses arising from investment property	(173)	(84)
Net gain (loss)	1,757	1,741

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	2010/11	2009/10
	£'000	£'000
Investment Properties		
Balance at start of the year	22,245	20,325
Additions:	0	0
Purchases	0	0
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	-820
Net gains / losses for fair value adjustments	5,534	2,740
Transfers	0	0
to / from Inventories	0	0
to / from Property Plant & Equipment	-759	0
Other Changes	0	0
Balance at end of the year	27,020	22,245

5. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

	Internally Generated Assets	Other Assets
3 years	None	None
5 years	None	IT Software; Electoral Register Canvass software; Town Park Vision; Accommodation moves; Health and Safety works; Planning & Delivery Grant; Pitch Regeneration; Orchard Housing IT Development;
10 years	None	None

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £104,000 charged to revenue in 2010/11 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortization is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

Movement on Intangible Asset Balances			2010/11			2009/10
	Internally Generated	Other Assets	Total	Internally Generated	Other Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at start of year:						
Gross carrying amounts	0	2940.5972	2940.5972	0	2585.113	2585.113
Accumulated amortisation	0	-2019.776	-2019.776	0	-1531.603	-1531.603
Net carrying amount at start of year	0	920.82119	920.82119	0	1053.51	1053.51
Additions:						
Internal development	0	0	0	0	0	0
Purchases	0	356.942	356.942	0	355.48419	355.48419
Acquired through business combinations	0	0	0	0	0	0
Assets reclassified as held for sale	0	0	0	0	0	0
Other disposals	0	0	0	0	0	0
Revaluations increases or decreases	0	0	0	0	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in the	0	0	0	0	0	0
Reversals of past impairment losses written back to the Surplus/ Deficit on the Provision of Services	0	0	0	0	0	0
Amortisation for the period	0	-415.3	-415.3	0	-488.173	-488.173
Other changes	0	0	0	0	0	0
Net carrying amount at end of year	0	862.46319	862.46319	0	920.82119	920.82119
Comprising:						
Gross carrying amounts	0	3297.5392	3297.5392	0	2940.5972	2940.5972
Accumulated amortisation	0	-2435.076	-2435.076	0	-2019.776	-2019.776
	0	862.46319	862.46319	0	920.82119	920.82119

There are three items of capitalised software that are individually material to the financial statements:

	Carrying Amount		Remaining Amortisation Period
	31 March 2011	31 March 2010	
	£'000	£'000	
Housing IT Development (2010/11)	-	259	4 years
Housing IT Development (2009/10)	246	164	3 years
Housing IT Development (2008/09)	350	175	2 years

6. FINANCIAL INSTRUMENTS

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Financial Instruments Balances	Long-Term		Current	
	31 Mar 11 £000s	31 Mar 10 £000s	31 Mar 11 £000s	31 Mar 10 £000s
Financial liabilities	5,800	5,800		
+ Accrued Interest			10	10
+/- Other accounting adjustments	0	0	0	0
Financial liabilities at amortised cost	5,800	5,800	10	10
Financial liabilities at fair value through profit or loss	0	0	0	0
Total borrowings	5,800	5,800	10	10
Finance lease liabilities	1,695	2,097		
Total other long-term liabilities	1,695	2,097		
Financial liabilities at amortised cost	246	307		
Financial liabilities carried at contract amount			17,243	11,142
Total creditors	246	307	17,243	11,142
Loans and receivables			19,354	14,213
+ Accrued interest			10	3
Loans and receivables at amortised cost	0	0	19,364	14,216
Available-for-sale financial assets	0	0		
Total investments	0	0	19,364	14,219
Loans and receivables	486	400		
Financial assets carried at contract amounts			14	10
Total debtors	486	400	14	10

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for accrued interest.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Financial instruments Gains/Losses	2010/11			2009/10	
	Financial Liabilities - measured at amortised cost	Financial Assets - loans and receivables	Total	Financial Liabilities - measured at amortised cost	Financial Assets - loans and receivables
	£000s	£000s	£000s	£000s	£000s
Interest expense	(253)		(253)	(253)	
Losses on derecognition			0		
Impairment losses			0		
Total expense in Surplus or Deficit on the Provision of Services	(253)	0	(253)	(253)	0
Interest income		64	64		80
Gains on derecognition			0		
Total income in Surplus or Deficit on the Provision of Services	0	64	64	0	80
Net gain/(loss) for the year	(253)	64	(189)	(253)	80

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- All borrowing as at 31 March 2011 is sourced from the Public Works Loan Board (PWLB). PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury). For these loans, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows (see overleaf):

	31 Mar 2011		31 Mar 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000s	£000s	£000s	£000s
PWLB debt	5,800	6,181	5,800	6,122
Non-PWLB debt	0	0	0	0
Total debt	5,800	6,181	5,800	6,122
Deferred Liabilities	1,695	1,695	2,404	2,481
Long-term creditors	275	275	251	251
Trade creditors	17,243	17,243	11,142	11,142
Total Liabilities	25,013	25,394	19,597	19,996

The fair value of PWLB debt 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 rates available for similar loans in the market at the balance sheet date.

	31 Mar 2011		31 Mar 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000s	£000s	£000s	£000s
Money market loans/ investment balances	19,354	19,364	14,216	14,220
Long-term debtors	486	486	400	400
Trade debtors	14,297	14,297	9,892	9,892
Total Assets	34,137	34,147	24,508	24,512

The differences are attributable to fixed interest instruments receivable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

Disclosure of nature and extent of risk arising from Financial Instruments

Key risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing risk** the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the comprehensive annual Treasury Management Strategy Statement (TMSS), which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update of the TMSS.

The annual Treasury Management Strategy Statement (covering 2010/11), which incorporates the prudential indicators, was approved by Council on 11 February 2010 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2010/11 was set at £35million. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £21 million. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £18.0 million and £7.5 million based on the Council's net debt.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

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 Annual Investment Strategy, 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 & Poors Credit Ratings Services. The Annual Investment Strategy also considers 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 outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website. The key areas of the Investment Strategy:

This Council uses the creditworthiness service provided by Sector, its treasury management advisors. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries (AAA rated).

The full Investment Strategy for 2010/11 was approved by Full Council on 11 February 2010 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council and its respective departments.

The Authority'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 each individual 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 Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The Council does not generally allow credit for its customers. As at 31 March 2011, £8.2m of the £9.2m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 Mar 2011	31 Mar 2010
	£000s	£000s
Less than three months	1,479	1,766
Three to five months	316	347
More than five months	6,432	4,285
Total	8,227	6,398

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

PWLB Debt	31 Mar 2011	31 Mar 2010
	£000s	£000s
Less than one year		
Between one and two years	2,800	
Between two and five years		2,800
More than five years	3,000	3,000
Total	5,800	5,800

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed 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).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

Price risk - The Council, excluding the pension fund, does not invest in equity shares or marketable bonds.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

7. INVENTORIES

	2010/11	2009/10
	£'000	£'000
Balance outstanding at start of year	39	51
Movement	6	(12)
Balance outstanding at 31 March	45	39

8. DEBTORS

31st March

	2011	2011	2011	2010	2010	2010
	Gross Debtors	Provision for Bad Debts	Net Debtors	Gross Debtors	Provision for Bad Debts	Net Debtors
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts falling due in one year:						
Government departments	3,569	-	3,569	5,408	-	5,408
Community charge payers	7	(-)7	-	7	(-)7	-
Council tax payers	806	(-)293	513	785	(-)253	532
Housing rents	3,001	(-)2,341	660	3,045	(-)2,332	713
Sundry debtors	9,398	(-)857	8,541	7,254	(-)1,022	6,232
Other local authorities	4,934	-	4,934	2,782	-	2,782
Capital debtors	-	-	-	142	-	142
Amounts falling due after one year:						
Car loans to employees	27	-	27	23	-	23
	-----	-----	-----	-----	-----	-----
	21,742	(-)3,498	18,244	19,446	(-)3,614	15,832
	-----	-----	-----	-----	-----	-----

9. CREDITORS

31st March

	2011	2010
	£'000	£'000
Government departments	17,830	14,048
Other local authorities	3,174	1,183
Council tax payers	116	111
Housing rents	614	488
Sundry creditors	5,751	5,390
Capital creditors	4,199	4,081
	-----	-----
	31,684	25,398
	-----	-----

10. CASH AND CASH EQUIVALENTS

	31 March 2011	31 March 2010
		Restated
	£'000	£'000
Cash held by the Authority	10	10
Bank Current Accounts	541	458
Short Term Deposits with Building Societies	19,364	14,204
Total Cash and Cash Equivalents	19,915	14,572

11. ASSETS HELD FOR SALE

				2010/11	2009/10
				Non Current Assets	Non Current Assets
				£	£
Balance at 1 April				0	0
Assets newly classified as held for sale				1,500	0
	Property Plant & Equipment			0	0
	Intangible Assets			0	0
	Other assets			0	0
Revaluation losses				0	0
Revaluation gains				2,639	0
Impairment losses				0	0
Assets declassified held for sale				0	0
	Property Plant & Equipment			0	0
	Intangible Assets			0	0
	Other assets			0	0
Assets sold				(4,139)	0
Transfers between non current & current				0	0
Balance at 31 March				0	0

12. LONG TERM CREDITORS

	Balance 1.4.10	Expenditure	Income	Write Off	Transfer to Current Creditors	Balance 31.3.11
	£'000	£'000	£'000	£'000	£'000	£'000
Leaseholders Service Charges	(163)		(229)		163	(229)
Tenants service charges	(68)		(32)		68	(32)
District heating charges	(20)		(14)		20	(14)
	-----	-----	-----	-----	-----	-----
	(251)	0	(275)	0	251	(275)
	-----	-----	-----	-----	-----	-----

Annual service charges to leaseholders and tenants, and district heating charges are calculated based on the estimated cost of services to be provided, with the difference between the estimated and actual cost adjusted for at the commencement of the second year after. In 2010/11 there was an over-recovery of cost of £14,000, for District Heating and £261,000 for Leaseholder and Tenant Service Charges, which will be refunded in 2012.

13. LONG TERM DEBTORS

14.

	Balance 1.4.10	Expenditure	Income	Write Off	Transfer to Current Debtors	Balance 31.3.11
	£'000	£'000	£'000	£'000	£'000	£'000
Housing Mortgages	12		(1)			11
Renovation loans	204	75				279
Leaseholders Loans	115	25	(36)			104
Leaseholders Service Charges	15	62			(15)	62
Tenants service charges	10	11			(10)	11
Sheltered accommodation heating	40	9			(40)	9
District heating charges	0	6				6
Miscellaneous	4	-	-			4
	-----	-----	-----	-----	-----	-----
	400	188	(37)	0	(65)	486
	-----	-----	-----	-----	-----	-----

Housing mortgages relate to advances to tenants purchasing their properties under Right to Buy legislation.

Leaseholders' loans relate to loans to leasehold tenants in respect of service charges for repairs advanced under the Housing (Service Charge Loans) Regulations 1992.

Annual service charges to leaseholders and tenants are calculated based on the estimated cost of services to be provided, with the difference between the estimated and actual cost adjusted for at the commencement of the second year after. In 2010/11 there was an under recovery on services of £73,000.

The increase in energy costs to sheltered accommodation has led the Council to reconsider the phasing of recharges to these tenants. The recovery of the increased cost of electricity and gas was phased over three financial years to 2011/12. A long term debtor was set up in 2009/10 for £40,000 in respect of the collection of income in 2011/12. Of this amount £40,000 has been transferred to current debtors in 2011/12.

The renovation Loan account is to record amounts outstanding from individuals qualifying for assistance. These loans are subject to a charge on the individual's property and will be repaid upon vacation.

15. PROVISIONS

	Outstanding Legal Cases	Injury and Damage Compensation Claims	Other Provisions	Total
	£000s	£000s	£000s	£000s
Balance as at 1 April 2010	0	0	0	0
Additional provisions made in 2010/11			117	117
Amounts used in 2010/11			0	0
Unused amounts reversed on 2010/11			0	0
Balance as at 31 March 2011	0	0	117	117

Outstanding Legal Cases

The authority has no quantifiable and substantial legal cases in progress.

Injury and Damage Compensation Claims

All injury and damage compensation claims are individually insignificant. They relate to personal injuries sustained where the Authority is alleged to be at fault. The Authority maintains insurance cover whereby such claims, if upheld, may be reimbursed by its insurers. Until claims are actually settled no income is recognised as the insurers will only reimburse amounts above a limited excess. Such excesses vary according to claim type, but do not exceed £25,000. For costs payable below its insurance excesses, the Council self-insures through its Insurance Reserve. Details are contained within Note 29, on page 63.

Other Provisions - Environmental Information Regulations

Historically, local authorities have applied fees for the provision of information in relation to local Land Charges searches. The private sector has challenged these fees claiming that the information should be given free under statutory duties imposed by the Environmental Information Regulations. The Information Commissioner has found in favour of this argument and issued guidance that local authorities are to allow inspection free of charge. The issue of refunds is currently the subject of national legal proceedings. Given the possibility that charges might have to be refunded to individuals a provision of £116,500 has been established in order to provide up to the maximum total potential future liability for reimbursement of search fees.

16. USABLE RESERVES

	31 March 2011	31 March 2010	Purpose of Reserve
	£'000	£'000	
General Fund Balance	3,363	3,249	Resources available to meet future running costs for Council services.
Housing Revenue Account	2,768	2,232	Resources available to meet the future running costs relating to council housing.
Major Repairs Reserve	6,603	4,294	Resources available to meet capital investment in council housing.
Capital Grants Unapplied	70	77	Grant income available to finance capital expenditure
Total Usable Reserves	12,804	9,852	

The movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

Severance Reserve

Severance Costs Reserve – This reserve was established in 2009/10 in view of the extent to which the Council would be required to respond to Central Government decisions to make future budget reductions. Whilst the General Fund revenue base budget includes an allowance for redundancy costs, the Severance Costs Reserve was established to provide financing for exceptional levels of redundancy costs for the General Fund.

A sum of £635,000 was contributed to the fund (£400,000 in 2009/10) and there were no withdrawals from the fund (£285,000 in 2009/10), leaving a net reserve balance of £750,130 as at 31st March 2011 (£115,000 as at 31st March 2010).

17. UNUSABLE RESERVES

	31 March 2011	31 March 2010
	£'000	£'000
Revaluation Reserve	41,055	89,667
Capital Adjustment Account	542,401	623,526
Collection Fund Adjustment Account	(82)	(42)
Pensions Reserve	(66,744)	(85,661)
Deferred Capital Receipts Reserve	256	216
Accumulated Absences Account	(54)	(96)
Total Unusable Reserves	516,832	627,610

Revaluation Reserve

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

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

	31-Mar-11	31-Mar-10
	£000	£000
Balance at 1 April	89,667	62,258
Adjust from SORP to IFRS	0	-1,174
Upward Revaluation of assets	9,613	33,903
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-46,509	-872
	-36,896	33,031
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	195	148
Difference between fair value depreciation and historic cost depreciation	-8,122	-4,529
Accumulated gains on assets sold or scrapped	-3,789	-67
	-11,716	-4,448
Balance at 31 March	41,055	89,667

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. This Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation 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.

The note detailing the adjustments between accounting basis and funding basis under regulations (Note 7) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account		2010/11	2009/10
Balance at 1 April		£000	£000
Reversal of items relating to capital expenditure debited or credited to the Comprehensive I&E Statement		623,526	623,501
	Charges for depreciation of non current assets		
	Charges for impairment of non current assets	-24,802	-27,025
	Revaluation losses on Property, Plant and Equipment	0	0
	Amortisation of Intangible Assets	-70,313	-6,451
	Revenue expenditure funded from capital under statute	-415	-488
	Amounts of non current assets written off on disposal or sale as part of gain/loss on disposal to the CIES	0	0
	Write outs of non current assets	-2,770	-1,698
	Long Term Debtors	-13,877	-10,199
	Reversal of previously recognised revaluation losses	0	0
Adjusting amounts written out of the Revaluation Reserve		265	2,485
Net written out amount of the cost of non current assets consumed in the year		11,716	4,448
		-100,196	-38,929
Capital financing applied in the year			
	Use of Capital Receipts Reserve to finance new capital expenditure	0	0
	Use of Major Repairs Reserve to finance new capital expenditure	4,583	1,215
	Capital grants and contributions credited to CIES that have been applied to capital financing	7,467	7,260
	Application of grants to capital financing from the Capital Grants Unapplied Account	1,050	27,549
	Statutory provision for the financing of capital investment charged against the GF and HRA balances	2	10
	Capital expenditure charged against the GF and HRA balances	311	181
		125	0
		13,537	36,215
Movements in the market value of Investment Properties debited or credited to the CIES			
Movement in the Donated Assets Account credited to the CIES		5,534	2,740
		0	0
Balance at 31 March			
		542,401	623,526

Pension 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 eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	40633	40268
	£'000	£'000
Balance at 1 April	-85661	-65703
Actuarial gains or losses on pensions assets and liabilities	9394	-19133
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	4292	-6387
Employer's pensions contributions and direct payments to pensioners payable in the year	5231	5562
Balance at 31 March	-66744	-85661

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	31 March 2011	31 March 2010
	£'000	£'000
Balance at 1 April	12	15
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	(1)	(3)
Balance at 31 March	11	12

Collection Fund Adjustment Account

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

	31 March 2011	31 March 2010
	£'000	£'000
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	39	5
	39	5

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	96	86
Amounts accrued during of the current year	(42)	10
Balance at 31 March	54	96

18. CASH FLOW STATEMENT – OPERATING ACTIVITIES

	31 March 2011	31 March 2010
	£'000	£'000
Interest received	(65)	(80)
Interest paid	411	423
Dividends received	0	0
Net cash flows from operating activities	346	343

CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31 March 2011	31 March 2010
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	12,406	36,608
Purchase of short-term and long-term investments	0	0
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,514)	(1,215)
Proceeds from short-term and long-term investments	0	0
Other receipts from investing activities	(10,709)	(35,611)
Net cash flows from investing activities	(817)	(218)

CASH FLOW STATEMENT – FINANCING ACTIVITIES

	31 March 2011	31 March 2010
	£'000	£'000
Cash receipts of short and long-term borrowing	0	0
Other receipts from financing activities	(341)	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0	0
Repayments of short and long-term borrowing	0	0
Other payments for financing activities	86	250
Net cash flows from financing activities	(255)	250

19. TRADING OPERATIONS

The significant operations of a trading nature are included in this Statement of Accounts as set out below –

Car Parks

The Council operates ten fee charging pay and display car parks. Turnover in 2010/11 was £456,045 resulting in a surplus of £152,893 which was contributed to the General Fund (£367,875 and £183,331 respectively in 2009/10).

Market trading account.

During the year income of £58,661 and expenditure of £77,843 resulted in a deficit of £19,182. This compares with a surplus of £33,952 in 2009/10 (income £68,145 and expenditure £34,193).

20. MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council for attendance allowance, special responsibility allowance and other expenses. Details of Members' Allowances are reported annually on the Council's website (www.harlow.gov.uk) and by following the links: About the Council – know your Councillor – members allowances.

	31 March 2011	31 March 2010
	£	£
Allowances	179,885	178,950
Expenses	8,862	15,525
Total	188,747	194,475

21. OFFICERS' REMUNERATION

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

Remuneration band	Number of Employees			
	2010/11		2009/10	
	Total	Left During Year	Total	Left During Year
£50,000 – £54,999	8	3	4	1
£55,000 – £59,999	3	1	2	
£60,000 – £64,999	1		4	
£65,000 – £69,999	0		0	
£70,000 – £74,999	0		3	
£75,000 – £79,999	5		1	
£80,000 – £84,999	0		1	1
£85,000 – £89,999	0		0	
£90,000 – £94,999	0		0	
£95,000 – £99,999	0		2	
£100,000 – £104,999	2		0	
£105,000 – £109,999	0		0	
£110,000 – £114,999	0		0	
£115,000 – £119,999	0		0	
£120,000 – £124,999	0		1	
£125,000 – £129,999	0		0	
£130,000 – £134,999	0		0	
£135,000 – £139,999	1		0	

Senior Officers' Remuneration

The Accounts and Audit Regulations contain a requirement to set out individual remuneration details for senior employees of the Council. There are two categories:

- i) Senior employees with salary £50,000 to £149,999, and
- ii) Senior employees with salary of £150,000 or above.

No senior employees of the Council receive a salary in the range £150,000 or above. Meanwhile, senior employees with annual salaries of between £50,000 and £150,000 per year are listed in the following table, which compare 2010/11 with the preceding financial year (see overleaf):

Senior Officers' Emoluments - Salary between £50,000 and £150,000 per year

Post Title	Notes	Salary (Including fees & Allowances)	Total Remuneration excluding pension contributions 2010/11	Pension contributions	Total Remuneration including pension contributions 2010/11
		£	£	£	£
2010/11					
Chief Executive		138,050	138,050	17,256	155,306
Strategic Director	1.	100,935	100,935	12,617	113,552
Strategic Director	1.	100,935	100,935	12,617	113,552
Assistant Chief Executive (Growth and Regeneration)		78,939	78,939	9,867	88,806
Head Of Community and Customer Service		77,063	77,063	9,633	86,696
Head Of Housing		77,063	77,063	9,633	86,696
Head Of Regulation		77,063	77,063	9,633	86,696
Head Of Governance		77,063	77,063	9,633	86,696
Principal Finance Manager / Interim Head Of Finance	2.	54,590	54,590	6,824	61,414
		781,701	781,701	97,713	879,414

Post Title	Salary (Including fees & Allowances)	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
	£	£	£	£
2009/10				
Chief Executive	123,548	123,548	15,444	138,992
Strategic Director	96,058	96,058	12,007	108,065
Strategic Director	96,055	96,055	12,007	108,062
Head of Finance	24,178	24,178	3,022	27,200
Head of Housing	77,270	77,270	9,659	86,929
Head of Community and Customer Services	72,128	72,128	9,016	81,144
Head of Regulation	72,128	72,128	9,016	81,144
Head of Governance	72,128	72,128	9,016	81,144
Head of Finance	63,927	63,927	7,991	71,918
Assistant Chief Executive (Growth and Regeneration)	55,762	55,762	6,970	62,732
	753,182	753,182	94,148	847,330

Note 1: During the financial year 2010/11, there were two Strategic Directors.

Note 2: The Principal Finance Manager covered the role of Head of Finance on an interim basis during part of the financial year. The officer left the Council's employment on 31 March 2011. A new recruitment to the role of Head of Finance was made in April 2011.

22. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and non-audit services provided by the Council's external auditors, the Audit Commission.

	2010/11	2009/10
	£'000	£'000
External Audit Services	163	165
Additional fees payable re 2009/10	5	5
Statutory inspections	16	9
Certification of Grant Claims and Returns	66	78
Other Services	-9	0
Total	241	257

23. RELATED PARTIES

The Authority 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 Authority.

The 2010 Code has partially changed what is included as a related party and no longer deems certain parties as related parties, these being providers of finance in the course of their normal business, trade unions in the course of their normal dealings and an entity with which the relationship is solely that of an agency

The following related parties have been identified for Harlow Council:

Central Government - has effective control 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.

Pension Fund - The administering authority, Essex County Council, has direct control of the Fund. Note 28 sets out the nature of transactions relating to retirement benefits.

Members / Officers - Members are responsible for the direct control of the policies of the Council. During 2010/11 the Council received declarations from Members, Chief Officers and Heads of Service disclosing any circumstances that they were aware could result in related party transactions. Where such transactions have been identified, these are included in the table of related party transactions, set out below.

A summary of all declarations made by the Council's elected Members in 2010/11 is available on the Council's website at the following internet address:

http://www.harlow.gov.uk/about_the_council/know_your_councillor/declarations_of_interests.aspx

During the year, transactions with related parties that have not been included separately elsewhere within the Statement of Accounts arose as follows (see overleaf):

RELATED PARTIES	Receipts	Payments	Debtors Outstanding as at 31 Mar 2011	Creditors Outstanding as at 31 Mar 2011
	£000s	£000s	£000s	£000s
Essex County Council	5,044	2,552	609	308
Essex Police Authority		18		32
Essex Fire Authority		8		8
Harlow College One Member serves as a Governor at the College.		12		
Harlow Council Reperation Ltd Five Members serve as Directors of this company, which was acquired by the Council in 2010 to maintain the benefit of previously commissioned work in relation to the town centre development programme.		170		4
Harlow LeisureZone One Member was a Council-appointed representative on the Board during 2010/11		268		
Harlow Occupational Health Service Two Members were appointed by the Council to be its representatives during 2009/10, one of whom was a Director with the Service.		32		
Harlow Renaissance Ltd Three Members were appointed by the Council to be its representatives on the Board during 2010/11.		427		
Harlow Sports Trust Two Members were appointed by the Council to be its representatives on the Trust's Executive Board during 2010/11, one of whom was also appointed to the Trust's Management and Finance Committee.	60		15	15
Kier Harlow One of the Council's Strategic Directors serves as the Council's nominated director on the Kier Harlow Ltd Board, representing the Council's 19.9% share holding.	110	23,355	237	1,345
Veolia Board Two Members were appointed by the Council to be its representatives on the Board during 2009/10.		2,969		250

24. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

CAPITAL EXPENDITURE AND CAPITAL FINANCING	2010/11	2009/10
	£'000	£'000
Opening Capital Financing Requirement	12799	8271
Capital investment		
Property, Plant and Equipment	13954	10964
Investment Properties	115	25287
Intangible Assets	406	357
Revenue Expenditure Funded from Capital under Statute	2059	2643
Adjustment for finance lease and other long term deferred liability	0	2503
Sources of Finance		
Capital receipts	-4583	-1215
Major Repairs Reserve	-7467	-7260
Direct revenue contributions	-125	0
[MRP/loans fund principal]	-311	-181
Government grants and other contributions	-3116	-28351
Timing difference between capital grant received and applied to finance capital expenditure	40	-219
Closing Capital Financing Requirement	13771	12799
Explanation of movements in year		
Increase in underlying need to borrow (supported by government financial assistance)	0	0
Increase in underlying need to borrow (unsupported by government financial assistance)	1243,6069	2425
Assets acquired under finance leases	-311	2322
Timing difference between capital grant received and applied to finance capital expenditure	40	-219
Increase/(decrease) in Capital Financing Requirement	972,60685	4528

25. LEASES

As Lessor:

Land & Buildings

The Council provides commercial accommodation (shops and other premises) for rent under the terms of operating leases. Rental income received in 2010/11 was £2,142,214 (2009/10 £2,023,000). The gross value of assets held for use in operating leases was £30,861,019 and subject to £401,622 depreciation to 31 March 2011.

As Lessee:

Photocopiers, Vending Machines and Other

The Council uses photocopiers, vending machine and other sanitary related equipment financed under the terms of operating leases. The amount paid under these arrangements in 2010/11 was £45,176 (2009/10 £49,000).

The Council was committed at 31 March 2011 to making payments of £39,309 in 2011/12 comprising the following elements (see overleaf):

	2010/11
	£'000
<i>Leases expiring in 2010/11</i>	0
<i>Leases expiring between 2011/12 and 2014/15</i>	37
<i>Leases expiring after 2014/15</i>	2
Total	39

Vehicles Plant & equipment

During 2010/11 the Council held no operating leases for vehicles and plant assets (rentals paid in 2009/10 totalled £nil as again the Council held no operating leases).

26. IMPAIRMENT LOSSES

There were no impairment losses during 2010/11.

27. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2010/11 and early 2011/12, incurring liabilities of £178,520 in 2010/11.

28. DEFINED BENEFIT PENSION SCHEME

There were no material differences on transition to the ifrs based code.

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, 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 that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pensions Scheme (LGPS) administered by Essex County Council. This is a funded defined benefit final salary scheme, meaning that the Council and its employees pay contributions into a fund, calculated at a level estimated to balance the pensions' liabilities with investment assets.

The Council recognises the cost of retirement benefits in the Income and Expenditure Account at the time when the benefits are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out through the Statement of Movement on the General Fund Balance.

benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out through the Statement of Movement on the General Fund Balance.

Transactions Relating to Post-employment Benefits

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

	Pension Scheme	
	2010/11	2009/10
	£'000	£'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
Current Service Cost	1,965	1,215
Past Service Cost	(10,446)	0
Settlement and Curtailments	47	219
<i>Financing and Investment Income and Expenditure</i>		
Interest Cost	10,242	9,748
Expected Return of Assets in the Scheme	(6,100)	(4,795)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(4,292)	6,387
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Actuarial gains and losses	9,394	19,133
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	5,102	25,520
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	4,292	(6,387)
Actual amount charged against the General Fund Balance for pensions in the year.		
Employers' contributions payable to the scheme	5,231	5,562

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a net gain of £ 8,209,000 (31 March 2010: net actuarial loss of £19,133,000).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2010/11	2009/10
	£'000	£'000
Opening balance at 1 April	184956	139823
Current Service Cost	1965	1215
Interest Cost	10242	9748
Contributions by scheme participants	710	705
Actuarial (gains)/losses	-13608	40228
Benefits paid	-6815	-6982
Past Service Costs	-10446	0
Curtailments	47	219
Settlements	-	-
Closing balance at 31 March	167051	184956

Reconciliation of fair value of the scheme assets:

	2010/11	2009/10
	£'000	£'000
Opening balance at 1 April	99295	74120
Expected rate of return	6100	4795
Actuarial gains/(losses)	-4214	21095
Employer contributions	5231	5562
Contributions by scheme participants	710	705
Benefits paid	-6815	-6982
Settlements	-	-
Closing balance at 31 March	100307	99295

The expected rate of return on scheme assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The expected investment return on government bonds is based on the yield on 20 year fixed interest gilts at the relevant date. The expected investment return on corporate bonds is based on market yields at the relevant date, less a reduction to reflect the risk of default in the corporate bond yield. The expected return on equities is the yield on 20 year fixed interest gilts plus an allowance for the 'risk premium' associated with equity investments.

The actual return on scheme assets in the year was a positive return of £9,490,000 (A positive return of £25,890,000 for 2009/10).

Scheme History

	2010/11	2009/10	2008/09	2007/08	2006/07
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	167051	184956	139823	164815	147188
Fair value of assets	100307	99295	74120	95062	102570
Deficit in the scheme	66744	85661	65703	69753	44618

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £67.929 million has a significant impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. We are making an annual back-funding contribution designed to clear the liability over time. The position is reviewed annually and the contribution required is reassessed at each triennial valuation. The next full actuarial review due to be carried out as at 31st March 2012.

The total contributions expected to be made in respect of prior years by the Council to the pension scheme for the year to 31 March 2012 is £3,588,400.

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 liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary were (see overleaf):

	31/03/2011	31/03/2010
Long-term expected rate of return on assets in the scheme:		
Equity Investments	0.075	0.075
Government Bonds	0.044	0.045
Other Bonds	0.051	0.052
Property	0.065	0.065
Cash/liquidity	0.005	0.005
Other assets	N/A	N/A
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.6	22.1
Women	25.2	25
Longevity at 65 for future pensioners:		
Men	24	23.1
Women	26.8	25.9
Rates of inflation:		
RPI	3.4%	0.033
CPI	2.9%	0.028
Rate of increase in salaries	4.4%	0.048
Rate of increase in pensions	2.9%	0.033
Rate for discounting scheme liabilities	5.5%	0.056

The County Council Pension Fund's assets consist of the following categories, by proportion of the total assets held:

	31/03/2011	31/03/2010
Proportion of total assets held:	%	%
Equity investments	69.50	67.50
Gilts	6.70	7.90
Other Bonds	9.50	10.00
Property	11.20	9.30
Cash/liquidity	3.10	5.30
Other assets	0.00	-
	100.00	100.00

History of Experience Gains and Losses

The figures disclosed below have been derived by approximate methods from the full actuarial valuation of the fund carried out by Mercer Human Resource Consulting Ltd as at 31st March 2007.

	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
Differences between the expected and actual return on assets	5.4	21.2	-35.7	-11.5	1.3
Experience gains and losses on liabilities	8.0	0.0	0.0	-2.8	0.0

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31 March 2011:

	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
Differences between the expected and actual return on assets	4.2	21.2	-35.7	-11.5	1.3
Experience gains and losses on liabilities	8	0	0	-2.8	0

The above percentages have been derived from figures provided by the actuaries to the Essex County Council Pension Scheme using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary. Actuarial calculations involve estimates based on assumptions about events and

circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £9.394m (2009/10 £19.133m losses) were included in the Statement of Comprehensive Income. In 2010/11 the following pension costs were incurred by the Council:-

- A standard employer's contribution to the fund of £1.965m based upon 12.5% of pensionable pay, plus employees' contributions of £0.710m, a total contribution of £2.675m. (2009/10 employer's contribution based on 12.5% of pensionable pay £1.315m, employees' contributions £0.705m, a total contribution of £2.020m).
- A fixed charge of £2.831m to cover an overall under funding of the Pension Fund since the date of the previous actuarial revaluation in 2007 (2009/10 £2.706m). Participating authorities were required to make up the shortfall in funding over a 20-year period commencing April 2008.
- A fixed charge of £0.343m (2009/10 £0.791m) in respect of financial strain payments to be made to the fund to compensate for the reduction in anticipated pension contributions resulting from employees leaving under the Council's early retirement scheme, of which £0.015m was capitalised.
- The Council was responsible for all pension payments relating to added years benefits awarded by the Council under its early retirement scheme. In 2010/11 these totalled £0.737m, which represents 7.0% of pensionable pay (£0.754m and 7.2% respectively in 2009/10).

The estimated contributions expected to be paid in to the Pension Fund in 2011/12 total £5.082m.

There is no provision for unitising the assets of the fund under the LGPS. The assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

29. CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the accounting statements. Instead they are disclosed by way of a note if there is a possible obligation, which may require a payment or transfer of economic benefits.

The Council has the following contingent liabilities:

Insured Liabilities

Harlow Council operates an Insurance Fund to cover smaller claims for insurance losses relating to each of the General Fund and Housing Revenue Account. The combined Fund balance as at 31 March 2011 was £1,473,000 (£1,125,000 at 31 March 2010). This is backed up by the Council's insurance provider, Zurich Municipal, which covers risks of a higher value. Transactions relating to the Council's own Insurance Fund have been completed on an accrued income and expenditure basis. However, the timing and the value of any unreported and unsettled liabilities cannot be determined with any certainty.

Municipal Mutual Insurance (MMI) was the Council's insurer for Employers Liability between 1974-1992 and for Public Liability between 1978-1992. Following MMI's cessation of business in 1992, all members of MMI (namely its creditors) entered into a Provisional Scheme of Arrangement in 1993, in order to facilitate an orderly wind down, should insolvency be declared by the Directors of the company. Under this scheme, all creditors would have to pay back a proportion of all previous claims paid out, accepting that MMI will no longer pay 100% towards any future claims. There is a risk that the MMI insurance fund may not be fully solvent. Working in conjunction with its Insurance Actuary, the Council is currently reserving £980,000 in respect of potential liabilities associated with MMI as at 31 March 2011 (as at 31 March 2010 £138,000). The increase in reserve balance follows independent actuarial consultation and is in anticipation of the increasing likelihood of the MMI Scheme of Arrangement being triggered. Meanwhile, the timing and likelihood of such events and the total costs that could be passed to the Council still remain uncertain. However, in its latest scheme statement as at 31 March 2011, MMI indicates that the maximum claims which could potentially be required to be returned to MMI from Harlow District Council (clawback), should the Scheme be triggered, could amount to £1,244,000. The Council continues to keep the matter under close review.

Environmental Information Regulations

A Contingent Liability in relation to local Land Charges searches has now been converted into a Provision. This is reported under Note 15, on page 49.

Guarantees

In 1987 and 1992 the Council agreed to undertake joint liability with a number of other local authorities to guarantee loans of £66.3m and £17.3m to Home Housing Association (previously called North Housing Association) in support of their private initiative for the provision of housing in Harlow and surrounding authorities. The guarantee is for a 50-year period ending in 2037. The Council's proportion of the total liability is £4.5m. 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.

30. CONTINGENT ASSETS

Contingent assets are not recognised in the accounting statements. Instead they are disclosed by way of a note if the inflow of a receipt or economic benefit is probable.

A Contingent Liability in relation to an opportunity arose for councils to reclaim back overpaid VAT for the periods between 1974 and 1996, as reported in the Statement of Accounts for 2009/10, has now been settled in full. The Council recovered a net sum of £568,000, which is included within the Income and Expenditure Account for 2010/11.

31. SUBSIDIARY COMPANIES

Harlow Council has no subsidiary companies.

32. SEGMENT REPORTING

In February each year the Medium Term Financial Strategy is approved by Full Council. The approved Strategy identifies the minimum level of general reserves for both the General Fund and the Housing Revenue Account. The detailed annual budgets are approved by Full Council in conjunction with the Strategy.

During the financial year, monthly budget monitoring reports are prepared, in which budget managers across the entire Council project the likely outturn on their respective budgets. These are collated, enabling the year-end balances of both General Fund and Housing Revenue Account reserves to be projected. The reports are closely considered by the Council's Corporate Management Team, working with their Heads of Service. In the event that the balances are projected to fall below their minimum, these officers are required to identify proposals that address the shortfall.

During 2010/11, detailed budget monitoring reports have been presented to the Resources Policy Working Group, comprising elected Members from across all three political groups. The Working Group performed a further stage of review and challenge in relation to performance against budgets. Key decisions regarding significant budget issues were made by the Executive Committee. The adoption of governance arrangements in 2011/12 will provide for monthly budget monitoring to the Resources Portfolio Holder, accompanied by quarterly reporting of any key issues and variances throughout the financial year.

Thus, during 2010/11, the Corporate Management Team was regarded as the "Chief Operating Decision Maker" on an operational level, whilst key decisions regarding significant budget issues were made by the Executive Committee.

The frequency of reporting ensures that consistent attention is given to containing costs within limited financial resourcing levels, whilst the review at high levels of authority ensures accountability remains and services are maintained to the highest standard possible within the agreed budgets.

The reporting structure comprises a combination of tables focussing on high value variances and detailed tables covering all areas of operation across both General Fund and Housing services. At the financial year-end, the reports identified the final outturn variations for expenditure and income.

The following table (overleaf) sets out the reporting segments included within the year-end budget monitoring reports, based on the Council's defined service areas. It continues by presenting that analysis in a format to identify types of expenditure and income. In conclusion, the table shows the additional components that are added to take this management reporting to the format of the Comprehensive Income and Expenditure Account.

BUDGET MONITORING REPORTING - Year-end Outturn

Segments:	General Fund							HRA		Total all Funds £000s
	Community	Corporate Services	Finance	Governance	Growth & Regeneration	Housing (GF)	Regulation	General Fund Total	HRA	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Original Budget	5,513	(51)	4,574	650	(7,338)	1,379	7,408	12,135	(228)	11,907
Revised Budget	5,474	5	4,545	618	(7,444)	1,371	7,379	11,948	(228)	11,720
Service Variances										
Controllable Costs & Income	(288)	196	(71)	(156)	(240)	(132)	(446)	(1,137)	(536)	(1,673)
Sub-total	5,186	201	4,474	462	(7,684)	1,239	6,933	10,811	(764)	10,047
Non-Controllable Variations										
Capital Items	149	0	(420)	66	4,012	(51)	331	4,087	0	4,087
Recharges	(211)	(213)	(266)	528	385	47	(339)	(69)	(191)	(260)
Insurance Reserve- HRA contribution	-	-	-	-	-	-	-	-	419	419
Other Minor Variations	(1)	0	1	18	1	(1)	(382)	(364)	0	(364)
Final Outturn for Services as reported	5,123	(12)	3,789	1,074	(3,286)	1,234	6,543	14,465	(536)	13,929
Conversion to Subjective Analysis of Expenditure and Income										
Expenditure - General Fund										
Employees	3,894	659	6,139	1,990	1,555	1,273	2,374	17,884	4,132	22,016
Premises-Related Expenditure	538	0	0	1	1,830	281	2,278	4,928	13,968	18,896
Transport-Related Expenditure	52	1	3	5	15	19	61	156	16	172
Supplies and Services	2,235	1,060	466	1,109	923	827	20,870	27,490	13,505	40,995
Third Party Payments	120	0	0	0	1,704	0	88	1,912	49	1,961
Transfer Payments	1,715	0	43,076	0	0	0	0	44,791	709	45,500
Support Services	1,721	194	1,449	2,871	1,667	608	1,181	9,691	4,399	14,090
Capital Financing Costs & Charges	412	0	80	243	(1,905)	132	1,316	278	7,598	7,876
Total Expenditure	10,687	1,914	51,213	6,219	5,789	3,140	28,168	107,130	44,376	151,506
Income - General Fund										
Income from Fees, Sales and Rent	(1,830)	(61)	(418)	(186)	(4,594)	(335)	(3,164)	(10,588)	(44,166)	(54,754)
Income - Recharges	(1,167)	(1,865)	(3,856)	(3,714)	(4,385)	(1,016)	(18,283)	(34,286)	(794)	(35,080)
Income - Grants & Contributions	(2,567)	0	(44,353)	(42)	(96)	(555)	(178)	(47,791)	0	(47,791)
Total Income	(5,564)	(1,926)	(48,627)	(3,942)	(9,075)	(1,906)	(21,625)	(92,665)	(44,960)	(137,625)
Net Cost of Services								14,465	(584)	13,881
Other Items										
Bad debt provisions								(297)	172	(125)
Interest Cost/ (Income)								348	(124)	224
Extraordinary Income (VAT Refund)								(568)	0	(568)
Miscellaneous Items								(148)	0	(148)
General Fund Contributions to Earmarked Reserves								2,243	0	2,243
Budget Requirement (General Fund)								16,043		
Council Tax Income								(7,180)		(7,180)
Government Revenue Support Grant								(1,129)		(1,129)
Redistributed Business rate Income								(7,774)		(7,774)
Collection Fund Deficit								40		40
(Surplus)/ Deficit on Funds								0	(536)	(536)

Reconciliation to Comprehensive Income and Expenditure Account			
	General Fund Total	HRA	Total all Funds
	£000s	£000s	£000s
(Surplus)/ Deficit on Funds	0	(536)	(536)
Amortisation, Depreciation and Impairment of Fixed Assets of intangible fixed assets			70,499
Transfer FROM HRA Major Repairs Reserve			20,783
Write down of rev exp fnd fm cap under stat			198
Net gain / loss on sale of fixed assets			818
Pensions Transactions FRS 17 adjustments			53
Council tax amount different to Regulations			(39)
Capital expenditure charged to General fund			(125)
Capital Receipts in advance			580
Transfer from usable capital receipts to meet pooling			1,158
Voluntary revenue provision for capital financing			(311)
Net transfer to or from earmarked reserves			(2,308)
Net After Adjustments to Segmental Reporting			90,770
Comprehensive Income and Expenditure Account (Surplus) or Deficit on Provision of Services			90,770

33. TRUST FUND ACCOUNTS

The Council no longer acts as trustee for any trust funds.

34. GROUP ACCOUNTS

The Authority is not required to prepare group accounts.

HRA COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

The Housing Revenue Account summarises the transactions relating to the provision, maintenance and sales of the Council houses and flats. 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 Act also prescribes the items of expenditure and income to be included within the account and the accounting treatment of capital charges.

	To HRA	£'000	£'000
	Notes	2010/11	2009/10
EXPENDITURE			
Repairs and Maintenance		-10,290	-9,891
Supervision and Management		-13,052	-11,415
Rents, Rates, Taxes and Other Charges		-35	-28
Negative Subsidy Transfer to the General Fund		0	-346
Negative HRA Subsidy Payable (including MRA)	11	-12,552	-12,062
Depreciation and Impairments of Non Current Assets	8 & 9	-65,994	-38,519
Amortisation of Intangible Assets	10	-257	-184
Debt Management Costs		-5	-3
Movement in the allowance for bad debts (not specified by the code)		-172	-314
Sums directed by the Secretary of State that are expenditure in accordance with the code		-10	-22
Total Expenditure		-102,367	-72,784
INCOME			
Gross Rent from Council Dwellings	1 & 2	37,408	37,118
Non-Dwelling Rents	3	2,548	2,544
Charges for Services and Facilities		3,838	4,062
Contributions towards Expenditure		447	400
HRA Subsidy Receivable (including MRA)		0	0
Total Income		44,241	44,124
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		-58,126	-28,660
HRA services share of Corporate and Democratic Core		-372	-409
HRA services share of other amounts included in the whole authority cost of services but not allocated to specific services		-7	-33
(Net Cost) / Net Income for HRA Services		-58,505	-29,102
(Gain)/Loss on sale of HRA Non Current Assets		-927	455
Interest and investment income	7	124	195
Capital grants and contributions receivable		683	445
Surplus / (Deficit) for the year on HRA services		-58,625	-28,007

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).

MOVEMENT ON RESERVES FOR THE HRA STATEMENT

The HRA income and Expenditure Statement shows the Council's actual financial performance for the Housing Revenue Account over the last twelve months. However, the authority is required to maintain the Housing Revenue Account on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension fund pensioners, rather than as future benefits earned.

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

	2010/11 £'000	2009/10 £'000
Balance on the HRA at 1 April	2,232	1,529
(Surplus)/ Deficit for the year on the HRA Income and Expenditure Statement	-58,625	-28,007
Adjustments between accounting basis and funding basis under statute	58,699	28,639
Net increase / (decrease) before transfers to / from reserves	74	632
Transfers (to) / from reserves	462	71
Increase / Decrease in the year on the HRA	536	703
Balance on the HRA at 31 March	2,768	2,232

NOTE TO THE STATEMENT OF MOVEMENT ON RESERVES HRA STATEMENT

The net amount required to be credited to the Housing Revenue Account Balance for the year is made up of the following:

	Notes	2010/11 £'000	2009/10 Restated £'000
Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year			
Intangible fixed assets written down	10	257	184
Impairment of Fixed Assets	9	37,743	8,496
Loss/(gain) on sale of HRA fixed assets		927	-455
Transfer to/(from) Major Repairs Reserve	4	20,783	22,763
Employers contributions payable to the ECC Pension Fund and retirement benefits payable direct to pensioners		-203	-1,904
Deferred Grants Written Down		-683	-445
Capital expenditure funded by the HRA	15	-125	0
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		58,699	28,639

HOUSING REVENUE ACCOUNT BALANCE SHEET

The Housing Revenue Account (Accounting Directions) 2011 requires Councils to show the Balance Sheet value of Council dwellings and other property accounting for in the Housing Revenue Account.

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Assets Under Construction	Surplus assets not held for sale	Investment Properties	Assets held for sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Extract for Statement of Accounts									
Cost or Valuation									
At 1 April	626,667	0	43	0	0	0	0	0	626,710
Additions	-120	39	0	0	0	0	1,320	0	1,239
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases (decreases) recognised in Revaluation Reserve	-43,550	0	0	0	0	0	0	0	-43,550
Revaluation increases (decreases) recognised in the surplus / deficit on provision of services	-29,817	0	0	0	0	0	0	0	-29,817
Derecognition - disposals	-2,420	0	0	0	0	0	0	0	-2,420
Derecognition - other assets reclassified (to)/from Held For Sale	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	-0	0	0	0	0	0	0	0	-0
At 31 March	550,760	39	43	0	0	0	1,320	0	552,161
Accumulated Depreciation & Impairment									
At 1 April	0	0	-3	0	0	0	0	0	-3
Depreciation charge	0	0	0	0	0	0	0	0	0
Depreciation charge written out to the Revaluation Reserve	-7,430	-1	0	0	0	0	0	0	-7,431
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	-20,801	0	-17	0	0	0	0	0	-20,819
Impairment losses (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses (reversals) recognised in the Surplus/Deficit on provision of services	0	0	0	0	0	0	0	0	0
Derecognition - disposals	0	0	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0
At 31 March	-28,231	-1	-20	0	0	0	0	0	-28,252
Net Book Value									
At 31 March 2011	522,529	38	23	0	0	0	1,320	0	523,909
At 1 April 2010	626,667	0	40	0	0	0	0	0	626,707

2009/10									
Extract for Statement of Accounts	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Assets Under Construction	Surplus assets not held for sale	Investment Properties	Assets held for sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April	626,442	0	15	0	0	0	0	0	626,457
Additions	0	0	28	0	0	0	0	0	28
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases (decreases) recognised in Revaluation Reserve	29,938	0	0	0	0	0	0	0	29,938
Revaluation increases (decreases) recognised in the surplus / deficit on provision of services	1,256	0	0	0	0	0	0	0	1,256
Derecognition - disposals	-945	0	0	0	0	0	0	0	-945
Derecognition - other assets reclassified (to)/from Held For Sale	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	-30,023	0	0	0	0	0	0	0	-30,023
At 31 March	626,667	0	43	0	0	0	0	0	626,710
Accumulated Depreciation & Impairment									
At 1 April	0	0	-3	0	0	0	0	0	-3
Depreciation charge	0	0	0	0	0	0	0	0	0
Depreciation charge written out to the Revaluation Reserve	-4,231	0	0	0	0	0	0	0	-4,231
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	-25,791	0	0	0	0	0	0	0	-25,791
Impairment losses (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses (reversals) recognised in the Surplus/Deficit on provision of services	0	0	0	0	0	0	0	0	0
Derecognition - disposals	0	0	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	30,023	0	0	0	0	0	0	0	30,023
At 31 March	0	0	-3	0	0	0	0	0	-3
Net Book Value									
At 31 March 2010	626,667	0	40	0	0	0	0	0	626,707
At 31 March 2009	626,442	0	12	0	0	0	0	0	626,454

In addition to the above, the Council accounted for intangible assets.

		2010/11	2009/10
		£'000	£'000
Balance start of year			
	<i>Gross Carrying amounts</i>	862	616
	<i>Accumulated amortisation</i>	-265	-81
Net Carrying amount at start of year		0	0
Additions		0	0
	<i>Internal development</i>	0	0
	<i>Purchases</i>	259	246
	<i>Acquired through business combinations</i>	0	0
Assets reclassified as held for sale		0	0
Other disposals		0	0
Revaluations increases or decreases		0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve		0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services		0	0
Reversals of past impairment losses written back to Surplus/Deficit on the Provision of Services		0	0
Amortisation for the period		-257	-184
Other charges		0	0
Net Carrying amount at end of year		598	597
Comprising			
	Gross carrying amounts	1,121	862
	Accumulated amortisation	-522	-265
		598	597

Finally, legislation allows some items to be funded from capital resources that under IFRS and normal accounting practice would be charged to Surplus or Deficit on the Provision of Services. There were no entries allocated to the Housing Revenue Account in 2010/11.

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Dwellings Rents and Analysis of the Housing Stock

The Account shows the total rent income collectable for the year after an allowance has been made for empty properties. On 31 March 2011 0.63% of lettable properties were vacant (0.93% at 31 March 2010).

The Council was responsible for the management of approximately 9,888 properties during the year. The stock at the beginning and end of the year was made up as follows:

	At 31 March 2011	At 31 March 2010
Analysis by Type of Dwelling:		
Houses & Bungalows	6,132	6,147
Flats & Maisonettes	3,749	3,756
Other	7	12
Total Dwellings	9,888	9,915
Analysis by Number of Bedrooms:		
Bedsitters	420	422
1 Bedrooms	2,133	2,134
2 Bedrooms	3,747	3,758
3 Bedrooms	3,201	3,209
4 Bedrooms	352	352
5 Bedrooms	28	28
Hostels	7	12
Total Dwellings	9,888	9,915
The change in stock can be summarised as follows:		
Stock at the beginning of the Year	9,915	9,931
Add: Conversions	0	0
	9,915	9,931
Deduct: Sales, Demolitions, Conversions, etc.	-27	-16
Stock at the End of the Year	9,888	9,915

The most recent valuation of HRA dwellings that has been prepared was at 1 April 2010. The valuation of dwellings has been uplifted to 31 March 2011 in the 2010/11 accounts and this is reflected in the valuation shown below:

Balance Sheet Valuation of HRA Assets	At 31 March 2011 £'000	At 31 March 2010 £'000
Operational Assets – Land, Houses and Other Property	523,037	626,668
Non Operational Assets	1,978	49

2. Vacant Possession

The Vacant Possession Value is the Authority's estimate of the total sum that it would receive if all the dwellings were sold on the open market. The Balance Sheet Value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the Balance Sheet value is therefore lower than the Vacant Possession Valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value.

Vacant Possession Value	At 31 March 2011 £m	At 31 March 2010 £m
HRA Dwellings	1,342.463	1,255,300

3. Non Dwelling Rents

These total £2,548,000 and are made up as follows:

Non Dwelling Rents	2010/11 £'000	2009/10 £'000
Garages and other Charges	2,462	2,480
Land and Other Buildings	86	64
Total	2,548	2,544

4. Major Repairs Reserve

Major Repairs Reserve	2010/11 £'000	2009/10 £'000
Balance as at 1 April	0	0
Transfers in – depreciation (Note 8)	28,250	30,023
Transfers to HRA – negative housing transfer	-20,783	-22,648
Transfers out to the HRA	0	-115
Capital Spending on Dwelling Stock met from Reserve	-7,467	-7,260
Balance as at 31 March	0	0

5. Pension Reserve

Under the full implementation of IAS 19 expenditure reflects the current service cost of retirement benefits. The overall amount to be met from rent and Government subsidy remains unchanged.

6. HRA Capital Financing

Capital Financing	2010/11 £'000	2009/10 £'000
HRA Capital Expenditure		
Dwelling Stock	8,826	9,571
Non Dwelling Works	300	190
Investment in Information Technology	259	246
	9,385	10,007
Financed by:		
Supported Borrowing	915	2,169
Grant Contributions	676	466
Usable Capital receipts	202	112
Revenue Contributions	125	0
Major Repairs Reserve	7,467	7,260
Total	9,385	10,007

Summary of HRA Capital Receipts	2010/11 £'000	2009/10 £'000
Sale of Council Houses – Direct	1,424	1,288
Sale of Council Houses – Deferred	0	0
Other (including shared ownership)	69	112
Total	1,493	1,400

Receipts from the sale of Council houses have increased as 16 tenants purchased their property under the Right to Buy Scheme compared to 14 in 2009/10.

From 1 April 2004 Local Authorities are required to pay up to 75% of the income they receive for the sale of dwellings and up to 50% for other property or land to Central Government in accordance with Capital Receipts Pooling regulations.

Of the total capital receipts of £5,741,000, £1,158,000 was paid to the Secretary of State under the pooling arrangements. The retained balance of £4,583,000 can be used to finance capital expenditure.

7. Interest Receivable

As in previous years, the actual charge to the HRA is its share of the external interest costs of the Council. Interest is credited to the Housing Revenue Account using the 3 month LIBID rate specified by the Department of Communities and Local Government.

HRA Interest Charge	2010/11 £'000	2009/10 £'000
HRA Interest Charge	124	195

8. Depreciation

Depreciation	2010/11 £'000	2009/10 £'000
Land	0	0
Dwellings	27,973	30,022
Other Property	277	1
Total	28,250	30,023

Depreciation	2010/11 £'000	2009/10 £'000
Operational Assets	27,973	30,022
Non Operational Assets	277	1
Total	28,250	30,023

9. Impairment Charges

Impairment	2010/11 £'000	2009/10 £'000
Land	0	0
Dwellings	39,063	8,496
Other Property	-1,320	0
Total	37,743	8,496
Operational Assets	39,063	8,496
Non-Operational Assets	-1,320	0
Total	37,743	8,496

Impairments in 2010/11, in this context are the downward valuation of assets, caused mainly by the reduction in percentage applied to the open market value to account for "sitting tenants" in Council dwellings. The regional percentage factor applied is now 39%, previously 46%.

10. Intangible Assets

	2010/11 £'000	2009/10 £'000
Balance at 1 April	596	534
Investment	259	246
Amortisation	-257	-184
Balance at 31 March	598	596

Intangible Assets are created when expenditure has been incurred on software that has been financed from capital resources. These are written down to the HRA over a period of 5 years.

11. Housing Subsidy

Housing Subsidy	2010/11 £'000	2009/10 £'000
Management and Maintenance	17,127	16,939
Major Repairs Allowance	7,467	7,467
Negative Subsidy Transfer	0	231
	24,594	24,545
Rent	-36,973	-36,388
Investment Income	-173	-219
Other Income	0	0
	-37,146	-36,607
Notional Subsidy Receivable / (Payable)	-12,552	-12,062

The above figures are the estimates of the subsidy for the respective financial years. The subsidy payable/receivable in any year can vary because of adjustments to previous years' claims.

12. Rent Arrears

Outstanding rent arrears at 31.3.11 total £ 2,786,000 plus £216,000 overpaid housing benefit (£2,820,000 and £225,000 at 31.3.11). A provision for un-collectable debts has been made at 31.3.11 totalling £2,341,000 (£2,332,000 at 31.3.10).

The arrears at 31 March 2011 totalled £2,786,000 . This excludes prepayments of £614,000, and may be analysed as follows:

Arrears	2010/11		2009/10	
	£'000	£'000	£'000	£'000
Due from Current Tenants	1,373		1,537	
Due from Former Tenants	1,413	2,786	1,283	2,820
Prepayments		614		488
Net Arrears		3,400		3,308

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. At 31 March 2011 the provision totalled £2,341 million (2009/10 £2,332 million).

13. Exceptional items and Prior period adjustments

No exceptional or extraordinary events have occurred in 2010.11.

Prior period adjustments have been made to the 2009/10 comparatives for the Housing Revenue Account Income and Expenditure Statement and the notes associated to this supplementary statement – regarding the IFRS conversion.

14. Revenue Balances

No commitments have been made regarding the future use of the revenue balance.

15. Capital Expenditure Charged to Revenue

This represents the cost of capital works spent on Council housing which have been funded from revenue. In 2010/11 £125,000 was financed from revenue.

COLLECTION FUND ACCOUNTS 2010/11

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities 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.

	Notes	2010/11	2009/10
		£'000	£'000
Income			
Non domestic rates	(3)	(-)41,962	(-)42,369
Adj. for previous years community charge		-	-
Council tax	(1)	(-)34,930	(-)34,635
Transfers from General Fund re Council tax Benefits	(1)	(-)8,786	(-)8,454
Contribution to/(-) from Essex County Council	(7)	(-)170	(-)184
Council			
Contribution to/(-) from Essex Police Authority	(7)	(-)20	(-)21
Authority			
Contribution to/(-) from Essex Fire Authority	(7)	(-)10	(-)11
Authority			
Transfer to/(-) from General Fund	(7)	(-)40	(-)42
		-----	-----
Total Income		(-)85,918	(-)85,716
Expenditure			
Precepts Essex County Council	(4)	31,017	30,325
Essex Police Authority	(4)	3,771	3,647
Essex Fire Authority	(4)	1,896	1,837
Harlow District Council	(4)	7,179	7,153
Non-domestic rates:			
Payment to National Pool	(3)	41,831	42,238
Cost of collection	(3)	131	131
Provision for uncollectable amounts:			
Council tax	(5)	334	353
Community charge		0	0
		-----	-----
Total Expenditure		86,159	85,684
Net income/(expenditure)for year		(-)241	32
Balance on Collection Fund b/f		(-)223	(-)255
		-----	-----
Balance on Collection Fund c/f	(6)	(-)464	(-)223

NOTES TO THE COLLECTION FUND ACCOUNTS

1. Council Tax Income

The Council set an average Band D Council Tax of £1,536.84 with an estimated tax base of 28,541.23 Band D equivalent properties. The Council Tax income can be analysed as follows:

	2010/11	2009/10
	£'000	£'000
Council Tax Income		
Tax Payers	34,930	34,635
Council Tax Benefits transferred from General Fund	8,786	8,454
	43,716	43,089

2. Council Tax Base

The Council's Tax Base is the number of chargeable dwellings in each valuation band converted to an equivalent number of Band D dwellings.

Band	Chargeable Dwellings	Estimated Properties After Discounts – Exemptions etc.	Ratio to Band D	Band D Equivalent Dwellings
A	3	2.25	5/9	1.3
A	2,122	1,753.95	6/9	1,169.30
B	7,437	6,332.55	7/9	4,925.30
C	18,128	16,646.20	8/9	14,796.60
D	4,023	3,760.75	9/9	3,760.80
E	2,019	1,932.40	11/9	2,361.80
F	821	789.60	13/9	1,140.50
G	373	356.55	15/9	594.30
H	11	10.75	18/9	21.50
Contributions in lieu for Ministry of Defence Properties				
Total Band D				28,771.40
Less: Adjustment for collection rate and for anticipated changes during the year for successful appeals against banding, new properties, demolitions, disabled relief and exempt properties				-230.17
Council Tax Base				28,541.23

3. National Non-Domestic Rate (NNDR) Income

Non-domestic rates are organised on a national basis. The Government specifies an amount (40.7p in 2010/11, 48.1p in 2009/10) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value assigned to the property that they occupy by that amount. The Council is responsible for collecting rates due from business ratepayers in its area but pays the proceeds into a National pool administered by the Government. The Government redistributes the sums paid into the pool back to Local Authorities on the basis of a fixed amount per head of population.

	2010/11	2009/10
	£'000	£'000
NNDR Income		
Bills Issued	43,999	43,928
Mandatory Reliefs	(1,615)	(1,114)
Discretionary Reliefs	(30)	(48)
Provision for Bad Debts	(414)	(433)
Net Income	41,940	42,333
General Fund contribution to Discretionary Reliefs	22	36
NNDR Income to Income & Expenditure Account	41,962	42,369
Cost of Collection Allowance	(131)	(131)
Amount Payable to NNDR Pool	41,831	42,238

The total non-domestic rateable value at 31 March 2011 was £114,782,384; the multiplier for the year was 40.7p. The product of this is £46,716,430. This represents potential income at a point in time, the year end, and thus differs from bills issued during the year due to relief for empty properties, transitional relief, partial relief, small business rate reliefs, changes in rateable value and movements in the property base.

4 Precepts

These are cash sums demanded from the Collection Fund by the Authorities named below in order to finance their activities.

	2010/11	2009/10
	£'000	£'000
Essex County Council	31,017	30,325
HARLOW DISTRICT COUNCIL	7,179	7,153
Essex Police Authority	3,771	3,647
Essex Fire Authority	1,896	1,837
Total Precepts	43,863	42,962

5. Provision for Council Tax Bad Debts

Contributions are made to a provision for bad debts. In 2010/11 the provision for uncollectable council tax was increased by £334,000. During 2010/11 £94,000 of irrecoverable debts were written off (2009/10 £106,000).

6. Council Tax Surplus/Deficit

Any surplus or deficit on the Fund is shared between the Authorities in proportion to their precept on the Fund and will impact directly on the Council Tax of following years.

Any previous year's cumulative surplus/deficit on Council Tax is distributed to Essex County Council, Essex Police Authority, Essex Fire Authority and this Council in proportion to the value of the respective precepts made by the four Councils on the Collection Fund in the related year. The anticipated deficit of £241,000 was shared as shown below.

	2010/11	2009/10
	£'000	£'000
Essex County Council	170	184
HARLOW DISTRICT COUNCIL	40	42
Essex Police Authority	21	21
Essex Fire Authority	10	11
Total Deficit	241	258

The cumulative deficit at the end of March 2011 is not required to be distributed until the following financial years. The deficit will be distributed in proportion to the value of the respective precepts as shown below.

	2010/11	2009/10
	£'000	£'000
Essex County Council	328	158
HARLOW DISTRICT COUNCIL	76	36
Essex Police Authority	40	19
Essex Fire Authority	20	10
Total Deficit	464	223

REPORT OF AUDITORS

TO FOLLOW

**HARLOW DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011**

Harlow Council

Annual Governance Statement 2010-11

1. Scope of the governance framework

- 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 discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3. The Council has all of the elements of a framework of governance that are often incorporated in a code of corporate governance, which is consistent with the principles of the [CIPFA/SOLACE Framework Delivering Good Governance in Local Government](#). This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011, which require the Council to publish a statement on internal control in accordance with proper practice.

2. The purpose of the Governance Framework

- 2.1. The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled. The framework also includes the 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.
- 2.2. The system of internal control is a significant part of the Governance 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 ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It is also responsible for evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3. The table below summarises the Council's Governance Framework for the year ending 31st March 2011 and up to the date of approval of this Statement and the

Statement of Accounts.

The governance framework

The key elements of the Council's governance arrangements are:

- A corporate plan covering 2009-2014, setting out the Council's priorities and defining the goals to be achieved
- Membership of the Harlow 2020 partnership, which brings public, private and voluntary sector agencies to work collaboratively to improve the life of the town. The Council is the accountable body for Harlow 2020
- Key strategic partnerships with Kier Group (Street Scene, and Housing Maintenance) and Veolia (waste management and recycling) to deliver service and efficiency gains
- The Constitution, which:
 - sets out the Council's decision-making framework
 - defines the supporting processes for these
 - gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer)
 - includes a detailed scheme of delegation of responsibility to individual posts
 - defines codes of conduct for members and officers, and a protocol for how the two work together
 - has been reviewed and updated during 2010-11
- A standard committee report format that includes specific consideration of all legal, financial, professional and technical considerations
- A medium term financial strategy which informs service planning and budget setting, combined with a revised and integrated service planning approach which emphasises delivering value for money
- Defined standards for customer service, backed by a complaints procedure which has been updated and upgraded during 2010-11
- A risk-based approach to internal audit, emphasising the need for sound control and good value
- A robust whistleblowing policy and process, refreshed in 2009-10
- Leadership to encourage an open and supportive culture in the Council
- During 2010-11, a revised Overview & Scrutiny function with 3 separate Committees. 2 Select Committees to carry out pre-scrutiny and review and a Call-in Committee. was introduced as part of the new constitution
- A Standards Committee with full independent involvement and cross-party representation.
- An Audit Committee with a strong focus on performance and delivery of improvement
- A corporate risk strategy and toolkit, which was revisited and refreshed in 2010-11
- A Performance Management Framework, which underpins robust business planning, data quality, risk management and regular performance monitoring and reporting
- A People Strategy to ensure that the Council has the staff, the skills, the

- A strategy for encouraging stakeholder involvement which uses a range of community engagement and communications activities
- A fully-operational Programme & Project Management Group which acts as the management board for corporate programmes and projects
- An embedded corporate equalities group that meets regularly

3. Review of effectiveness

3.1. The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of senior managers and the Head of Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

3.2. In carrying out the review, we have kept in mind the six CIPFA/SOLACE principles of effective governance:

- i. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area (Purpose and Outcomes)
- ii. Members and officers working together to achieve a common purpose with clearly defined functions and roles (Functions and Roles)
- iii. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour (Conduct and Behaviour)
- iv. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk (Scrutiny and Managing Risk)
- v. Developing the capacity and capability of members and officers to be effective (Capacity and Capability)
- vi. Engaging with local people and other stakeholders to ensure robust and public accountability (Accountability).

3.3. The review has been led by a Governance Group comprising the Monitoring Officer, the Section 151 Officer, the Policy and Performance Team Leader, the Interim Audit Manager, and other officers when they have specific contributions to make. They have reviewed the documentation assembled for the 2009-10 Annual Governance Statement, and updated the evidence where necessary. In addition, they have considered the following evidence:

- Newly revised and strengthened service managers' governance declarations, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively;
- Documentary evidence of processes, procedures and standards
- the Interim Audit Manager's annual opinion on the council's control environment, delivered to the Audit Committee, as the body charged with governance;

- Audit Commission reports during and on the 2010-11 year;

4. Significant governance issues from 2009-10 and 2008-09

4.1. Last year's Annual Governance Statement identified 4 areas where we needed to improve significantly. These are the first four items in the table below, together with the steps we have taken to address them. The next 7 issues are from the 2008-09 Annual Governance Statement, and the 2009-10 Statement did not identify how they had been dealt with.

No.	Issue	Action taken
1.	Harlow Renaissance governance	The issues were subsumed by the establishment of new arrangements for managing delivery of development work in Harlow
2.	Kier Harlow governance	Work (both internal and independent) is still in progress to resolve a variety of issues, which will be brought to fruition in 2011-12
3.	Use of consultants – governance issues	Issues raised in an internal audit report have been resolved
4.	Council ICT processes – governance issues	Issues raised in an internal audit report have been resolved
5.	Medium Term Financial Strategy -	In year review of the MTFs was not necessary due to the improved financial control environment.
6.	Follow-up of Internal Audit recommendations	The Internal Audit section is taking an aggressive line on directly following up all recommendations as they fall due. They will report all exceptions to the Audit Committee.
7.	Asset register out of date	The existing asset register has been reviewed as part of the IFRS requirements. The register will be replaced with a full property database during 2011-12
8.	No formal review of financial management arrangements	Various financial strategies now exist, and are reviewed annually.
9.	Risk management strategy out of date; risks not monitored, action plans not updated and reported. Risk management not embedded	The measures being taken during 2011-12 will lead to Risk Management being embedded over the next two to three years
10.	Separate parts of the assurance framework were not fully integrated	The senior management structure of the Council has been further tightened to ensure that the responsible individuals form a cohesive senior management team, meeting weekly, where all such items can be aired
11.	Whistleblowing arrangements had not been updated	Arrangements have been revised, and further revision and updating are planned for 2011-12

5. Significant governance Issues

5.1. In preparing this statement and reviewing the effectiveness of our governance arrangements, the Governance Group have identified 9 areas where we need to improve significantly, in addition to the issues that are still in process from preceding years. These are set out in the table below, together with the steps we will take to address them.

No.	Issue	Action to be taken
1.	Corporate over-use of procurement waiver procedure	The revised Cabinet Structure and Scheme of Delegation has already made changes to procedure for 2011-12
2.	As Financial Regulations have not been updated recently, they may not be fit for purpose at a detailed level	Review FRs in April 2012, after Agresso upgrade, when they can reflect known process changes
3.	The Annual Governance Statement process has been rudimentary in past years, based on a mixture of documents and internal audit findings, rather than reflecting real corporate processes.	The new Governance Group is addressing the issues, and will ensure that planned actions are followed through during 2011-12 and subsequent years.
4.	IFRS (International Financial Reporting Standards) require significant changes to technical areas of the accounts	Secured during the latter part of the year, and being embedded through the 2010-11 final accounts process.
5.	There were a considerable number of limited and no assurance internal audit reports during 2009-10.	Corrective action has been taken in many areas, verified through audit follow-up work. Additionally, current internal audit work is showing sound control in most areas. Internal Audit processes now ensure that such designations are not overused and can thus be relied upon more readily as evidence of required improvement.
6.	Bad debt monitoring was not as frequent and regular as is desirable, though bad debt provision was adequate.	Regular monitoring by the Corporate Management Team was introduced during 2010-11, and continues.
7.	Budget pressures in a time of recession remained a risk, despite the steps taken to include loss of income in the Council's financial planning procedures.	Those elements that are predictable are built into the MTFs, along with a robust process to manage budgets within each year.
8.	The Veolia contract had not been formally signed and sealed	The contract has now been signed.
9.	The external audit tracker has been of limited value to date.	The Governance Group will take responsibility for both agreeing actions with the Audit Commission, and driving them through within the Council during 2011-12 and subsequent years.

5.2. We plan to address these matters to improve our governance arrangements

Signed:
(Leader of the Council)

Date:

Signed:
(Chief Executive)

Date: