Harlow District Council

Statement of Accounts
2011/12

Harlow
Council
Working together for Harlow

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INTRODUCTION

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INTRODUCTION

Welcome to Harlow District Council's Statement of Accounts for the year ending 31 March 2012.

The Statement of Accounts is a statutory document and provides information on the transactions relating to the provision of services by Harlow District Council and their financing. Information contained within the Balance Sheet on page 18 shows the value of the Council's assets (what we own and what is owed to us) and the value of its liabilities (what we owe). The format of the Statement of Accounts is prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom, which is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). It is, in essence, a statement of how well we have managed your money over the last twelve months.

Many of the accounting principles used in preparing the Statement of Accounts are complex and an Explanatory Foreword, on page 6, provides some guidance to the most significant aspects of the Council's financial performance, its year-end financial position and its cash flows.

Should you have any comments or wish to discuss this statement in further detail then please contact me on 01279 446228, or email me at simon.freeman@harlow.gov.uk

I hope you find the statement of interest and may I take this opportunity of thanking you for your interest in reading it.

Simon Freeman
Head of Finance

Harlow District Council
Civic Centre
The Water Gardens
Harlow
Essex
CM20 1WG

Explanatory Foreword

Explanation of the financial statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. sums of money set aside by the Council that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’ (these are non-cash reserves which have originated as part of the various local Council historical accounting mechanisms). The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the 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 in the financial year.

Comprehensive Income and Expenditure Statement

This statement summarises expenditure and income for all services and the sources of funding for the Council. It shows the accounting cost in the year of providing services in accordance with the CIPFA Accounting Code of Practice, 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.

Balance Sheet

This is a statement that shows the balances of assets, liabilities and reserves of the Council on the financial reporting year-end date (31 March).

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial reporting period.

Housing Revenue Account

By law, we must account separately for our provision of housing services to tenants. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with the CIPFA Code of Practice, rather than the amount to be funded from rents and government grants. Local Councils charge rents to cover expenditure in accordance with regulations; but this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Collection Fund Accounts

The Collection Fund 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 precepting bodies and the Government of council tax and non-domestic rates.

INTRODUCTION

Changes for the 2011/12 Accounts

In the previous financial year (2010/11) local authorities were required to adopt International Financial Reporting Standards (IFRS) for the first time. The CIPFA Accounting Code of Practice (the Code) is based on IFRS, and we were required to incorporate many significant changes to the preparation and presentation of the accounts. In 2011/12 there have been further updates to the Code, the most significant of which cover the accounting treatment of:

- Heritage fixed assets, and
- Remuneration and exit packages

Results for 2011/12

Revenue spending - General Fund

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

During this year the Council's net spending on its General Fund services was £13.6 million (2010/11 £13.8 million) met by the precept on the Collection Fund and Government grants, as shown in the table below:

General Fund	**Original Estimate**	**Actual**	**Variance**
	£000	**£000**	£000
Council Services			
Community Services	3,106	3,278	172
Regulation	7,061	7,904	843
Growth and Regeneration	(1,695)	(239)	1,456
Housing (General Fund)	1,199	970	(229)
Governance	485	693	208
Finance	4,006	3,307	(699)
Other	(630)	(2,285)	(1,655)
Total Net Spending for the Year	**13,532**	**13,628**	**96**
Met by:			
Collection Fund Demand	(7,178)	(7,178)	0
Government Grants	(6,354)	(6,354)	0
Contribution from Balances	0	(96)	(96)
Total Financing	**(13,532)**	**(13,628)**	**(96)**

The overall budget position remains balanced with a reduction in the General Fund balance of £96,000. This takes account of contributions having been made to General Fund earmarked reserves in 2011/12 amounting to £1.6 million. This has been achieved following a combination of financial restrain, strong financial management across Council services and cautious setting of income budgets. The Council did not incorporate the New Homes Bonus payable by the Government into its budget because there is uncertainty surrounding the future of the scheme and the resources it will deliver to the Council in later years. This grant totalled £232,000 in 2011/12 and has been treated as “windfall income” contributing to the overall under-spend at year-end. A full report presented to the Council’s Cabinet meeting on 12 July 2012 details the financial performance against the agreed budget.

General Fund balances now stand at £3.2 million, against the Council’s minimum working balance of £2.0 million. A proportion of this balance is to be used to support spending plans that have been carried forward into 2012/13, amounting to £0.401 million. The Council’s Medium Term Financial Strategy was set a target for an increase in the General Fund balance to £2.5 million to enable sufficient resources to help protect the Council during a period of significant financial reforms. Proposals contained within the General Fund Outturn report to Cabinet, and subject to Cabinet approval, will reduce the General Fund balance to £2.4 million during 2012/13.

Revenue spending- Housing Revenue Account

	Original Estimate £000	Actual £000	Variance £000
Expenditure			
General Management	7,776	8,022	246
Supervision and Management	5,776	5,695	(80)
Repairs	9,767	9,855	89
Rents, Rates, Taxes and Other Charges	30	53	23
Provision for Bad and Doubtful Debts	320	170	(150)
Housing Subsidy payable to DCLG	14,292	14,314	22
Supporting People Transitional Arrangements	6	10	4
Debt Management Costs	5	78	73
Major Repairs Allowance (Net Depreciation)	7,676	7,676	-
Interest Charges	-	75	75
Transfers to/from Insurance Fund	309	146	(163)
Total Spending for the year	**45,957**	**46,094**	**139**
Income			
Dwelling Rents	(39,632)	(39,704)	(72)
Non-Dwelling Rents	(2,555)	(2,432)	123
Other Rents	(65)	(40)	25
Charges for Services and Facilities	(4,258)	(4,382)	(125)
Interest Receivable	(97)	(118)	(21)
Total Income for the year	**(46,607)**	**(46,676)**	**(70)**
Net HRA (Surplus)/Deficit	**(650)**	**(582)**	**69**

Expenditure and income in the Housing Revenue Account for 2011/12 varied by an adverse £69,000 (0.15% of the budget). Principal variances included expenditure to prepare the Council for HRA self-financing (following Royal Assent of the Localism Act in November 2011); a reduction in non-dwellings income due to an increase in garages which could not be let; and, a reduced need to provide for an increase in the bad debt provision due to increased performance in rent collection and empty property management.

INTRODUCTION

Capital spending

In its capital investment programme aligned with both General Fund and Housing services, the Council incurred capital expenditure totalling £13.6 million in 2011/12 against an approved programme of £15.6 million, with schemes to the value of £1.7 million to be carried forward for completion in 2012/13.

Major housing schemes included general improvements to the housing stock £11.3 million, and disabled facilities grants £1.2 million. Other schemes included Programme of Development Funding for regeneration of the town, £2.5 million (see note below), IT development £0.22 million, and work to Council buildings of £0.4 million.

In 2011/12 the Council granted a Building Licence to Jigsaw Retirement Solutions for work to Kingsmoor House which will result in capital receipts from the sale of converted apartments between 2012 and January 2014. During the year the Council also entered into a Building Licence and Deferred Sale Agreement for the disposal of Marshgate Farm subject to acceptable planning consent.

Programme of Development

In 2011/12 the Council held £14.2 million as the Accountable Body for Programme of Development regeneration schemes. The grant monies included £13.7 million for capital work and were made available by the Department for Communities & Local Government (DCLG) to the Council and its partner local authorities for approved regeneration schemes.

During 2011/12 the Council drew down a total £2.5 million of which £0.57 million funded capital expenditure for work to Harlow Town Centre and £0.5 million for work on Harlow's Priority Estates. Claims from partner authorities totalled £1.3 million and included £0.5 million for Anglia Ruskin University and £0.674 million for work to Stort Tow Paths to provide footpaths and cycle way linking Harlow with the Olympic Park in the Lea Valley and the River Thames.

Housing Finance Reform

At the end of the financial year, the Council processed a major transaction with the DCLG whereby the entire financing of its Housing Revenue Account (HRA) services transferred wholly to the Council. This involved making a settlement to the DCLG amounting to £208.837 million. The financing for this transaction was through new external borrowing from the Public Works Loan Board. The process follows a major government reform of Councils' housing provision across the country. In preparation for the introduction of this major reform, the Council developed an HRA Business Plan covering a period for 30 years into the future, which demonstrates the sustainability of the housing service and development of the housing stock over that time period.

Internal Capital Financing

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

In 2011/12 capital investment was financed by the Major Repairs Allowance of £7.7 million, funding made available by central government through the housing subsidy system to finance the replacement of building elements as they fall into disrepair. In addition the Council borrowed £4.0 million from internal resources, (£3.6 million to fund housing capital expenditure, and £0.4 million towards the non housing programme). Other capital receipts arose from asset sales, £1.6 million, and other grants and contributions, £3.0 million.

In total in 2011/12 the Council has funded £13.6 million of capital expenditure, of which borrowing of £4 million is from internal resources representing a small proportion of the total value of the Council's assets.

Borrowing Facilities

As detailed above, the Council's normal source of external borrowing is the Public Works Loans Board (PWLB), a division of HM Treasury and a facility unique to the public sector. Whilst the projections for the Non Housing Capital Programme indicate an underlying need to borrow, to fund capital investment the Council has a policy of utilising receipts from the sale of assets as its first funding source for the annual Programme. Receipts from land and asset sales have become very limited during 2011/12 due to economic conditions and their impact upon the property market. Knowing that there are future receipts due, the Council has again decided to internally borrow while it has a strong cash flow position to enable it to do this and to prevent the need to borrow which will attract additional costs. Future receipts will be utilised to offset this borrowing. In the medium term the financial strategy assumes there will be an underlying need to borrow externally as the disposal of assets and associated receipts become fewer and less predictable. An historic debt held with the PWLB matures during 2012/13 and it is intended that the Council will re-borrow to replace this sum.

The changes relating to the HRA have been detailed earlier and have involved the Council undertaking significant borrowing of £209 million from the PWLB to facilitate the transactions required under self financing. The debt settlement is a one off transaction and is therefore a significant and unusual transaction within the Council's accounts for the 2011/12 financial year.

Current Economic Climate

The Council along with many other Local Authorities has been managing its finances and its services in a very difficult economic climate.

The income it receives is under extreme pressure with the Government's austerity measures impacting significantly on the core Formula Grant it receives. Harlow has seen reductions of almost 16% in this funding for 2011/12 and these reductions are forecast to continue into future years through to at least 2014/15 and possibly beyond.

The Council is also experiencing reductions in its income from fees and charges from the services it delivers especially relating to car parking and a reduction in planning applications.

Pressures have also been managed within existing resources as demands for some services have increased during the year in areas such as Revenues and Benefits with additional claims being processed and additional work being undertaken to recover money due to the Council. Housing Services are also experiencing increases in demand for service and housing provision.

These ongoing pressures are likely to continue for the foreseeable future as the economy struggles to emerge from recession and the Government continues its pressure on the public sector to deliver its programme of austerity measures.

Despite this climate of restriction and pressure the Council plans to increase investment in its housing stock to enable the existing assets to be improved for the benefit of its tenants and to ensure that decency standards are achieved across the entire asset base.

The Council has also ensured the ongoing provision of a number of its discretionary services through the transfer to the third sector and other community groups. To aid this process the Council has given security and certainty to the organisations through the guarantee of funding on a tapering basis over a three year period. This will help the organisations establish themselves and access alternative funding sources not normally available to local authorities. This innovative approach to service delivery will give longer term security to the services transferred given the current funding restrictions being placed on the Council and will enable services valued by the community to continue to be available to them.

The future will not be easy for the Council with significant funding gaps to be met in the next three to four years and significant changes proposed by the Government in the funding through the Local Government Resource Review and the impending radical change through Welfare Reforms due to start at a local level from April 2013. However, it has a good track record of innovation and delivery of efficiency savings and will look to face the challenges to ensure that it can continue to deliver excellent services to its community.

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Responsibilities of the Head of Finance

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

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

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

The Head of Finance has also:

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

The Statement of Accounts as set out on pages 15 to 128 presents a true and fair view of the financial position of Harlow District Council as at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

The unaudited Accounts were issued on 30 June 2012 and the audited accounts were authorised for issue on 20 September 2012.

Signed ……………………………………. Date ………………………

Simon Freeman CPFA
Head of Finance

Signed ……………………………………. Date ………………………

Councillor Mark Wilkinson
Leader of the Council

CORE FINANCIAL STATEMENTS

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MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (other reserves). The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the 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/ from 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 £000s	Earmarked General Fund Reserves £000s	Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied Account £000s	**Total Usable Reserves £000s**	Unusable Reserves £000s	**Total Authority Reserves (restated) £000s**	***Total Authority Reserves (before restatement) £000s***
Balance at 31 March 2010	3,249	1,329	2,232	2,965			77	**9,852**	627,610	**637,462**	***637,462***
Movement in reserves during 2010/11											
Surplus / (Deficit) on the provision of services	(21,401)		(63,903)					**(85,304)**		**(85,304)**	***(85,304)***
Other Comprehensive Income and Expenditure			(439)				(8)	**(447)**	(26,443)	**(26,890)**	***(27,502)***
Total Comprehensive Income and Expenditure	**(21,401)**		**(64,342)**				**(8)**	**(85,751)**	**(26,443)**	**(112,194)**	***(112,806)***
Adjustments between accounting basis & funding basis under regulations (Note 6)	23,573		65,129					**88,702**	(88,702)		
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**2,172**		**787**				**(8)**	**2,951**	**(115,145)**	**(112,194)**	***(112,806)***
Transfers to/ (from) Earmarked Reserves (Note 7)	(2,058)	2,058	(250)	250							
Increase / (Decrease) in 2010/11	**114**	**2,058**	**537**	**250**			**(8)**	**2,951**	**(115,145)**	**(112,194)**	***(112,806)***
Balance at 31 March 2011	**3,363**	**3,387**	**2,769**	**3,215**	**0**	**0**	**69**	**12,803**	**512,465**	**525,268**	***524,656***
Movement in reserves during 2011/12											
Surplus / (Deficit) on the provision of services - REFCUS	6,691		(226,498)					**(219,807)**		**(219,807)**	
Other Comprehensive Income and Expenditure	108							**108**	27,400	**27,508**	
Total Comprehensive Income and Expenditure	**6,799**		**(226,498)**					**(219,699)**	**27,400**	**(192,299)**	
Adjustments between accounting basis & funding basis under regulations (Note 6)	(4,391)		226,912				7,974	**230,495**	(230,495)		
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**2,408**		**414**				**7,974**	**10,796**	**(203,095)**	**(192,299)**	
Transfers to/ (from) Earmarked Reserves (Note 7)	(2,504)	2,504	168	(168)							
Increase / (Decrease) in 2011/12	**(96)**	**2,504**	**582**	**(168)**			**7,974**	**10,796**	**(203,095)**	**(192,299)**	
Balance at 31 March 2012 carried forward	**3,267**	**5,891**	**3,351**	**3,047**	**0**	**0**	**8,043**	**23,599**	**309,370**	**332,969**	

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

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

		2011/12			2010/11 Restated			2010/11
	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000
Central Services to the Public		12,646	(10,863)	1,783	11,142	(9,253)	1,889	1,889
Cultural and Related Services		5,681	(1,345)	4,336	8,380	(1,044)	7,336	7,336
Environmental and Regulatory Services		6,300	(2,574)	3,726	7,435	(2,449)	4,986	4,986
Planning Services		7,109	(3,414)	3,695	6,652	(3,628)	3,024	3,024
Highways and Transport Services		1,230	(1,529)	(299)	2,922	(1,017)	1,905	1,905
Local Authority Housing (HRA)		273,865	(46,137)	227,728	107,845	(44,241)	63,604	63,604
Other Housing Services		39,457	(39,335)	122	38,040	(36,459)	1,581	1,581
Adult Social Care		1,843	(1,715)	128	2,632	(2,294)	338	338
Corporate and Democratic Core		2,419	(1,158)	1,261	1,966	(9)	1,957	1,957
Non-Distributed Costs		2,027	(1,756)	271	(495)	(10,639)	(11,134)	(11,134)
Cost of Services				**242,751**			75,486	75,486
Other Operating Expenditure	8			994			31,418	31,418
Financing and Investment Income and Expenditure	9			1,617			(3,485)	(3,485)
Taxation and Non-Specific Grant Income	10			(25,554)			(18,114)	(18,114)
(Surplus)/ Deficit on Provision of Services				**219,808**			85,305	85,305
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets				(47,840)			36,284	36,896
Actuarial (Gains)/ Losses on Pension Assets and Liabilities				20,468			(9,394)	(9,394)
Other Comprehensive Income and Expenditure				**(27,372)**			26,890	27,502
Total Comprehensive Income and Expenditure				**192,436**			112,195	112,807

Exceptional items

Introduction of Self Financing

The Localism Act 2011 imposed a major reform to local authority housing finance. It replaced the previous system of subsidy payments with an arrangement whereby, in the case of Harlow Council and many others, a one-off debt settlement was made to the Department of Communities and Local Government in March 2012 in exchange for the former process whereby the council was required to paying annual HRA Subsidy to the government. The settlement of £208.837million is included in the Comprehensive Income and Expenditure Statement Gross Expenditure for Local Authority Housing (HRA) in 2011/12.

Pension Payments to be based on CPI

During 2010/11 the government announced in the budget that pensions would be increased by the CPI rather than the RPI and this resulted in a past service credit of £10.446 million which has been included in the CI&E in the Non-Distributable costs line, under income.

LeisureZone

This is an exceptional item for 2010/11 relating to Harlow LeisureZone sports facility, which is a state-of-the-art community leisure centre that was built as part of Harlow Gateway Project, a partnership between Harlow Council, the Harlow and District Sports Trust and the Homes and Communities Agency. Harlow LeisureZone is operated by Harlow & District Sports Trust and was established in 1959 and is a Charitable Trust Limited by guarantee. Grant conditions determined that the facility should be managed and run on a long term basis by a charitable organisation and not the Council. Grant funding was from a variety of sources including the sports trust, CLG, EEDA and the HCA. The Council contributed land and some receipts from other asset sales to the scheme and, as a result, a disposal/ donation of £29.576million was recorded in the 2010/11 accounts within the Comprehensive Income and Expenditure Account under Other Operating Expenditure.

Growth Area Funds/ Programme of Development (GAF/POD)

As part of this government-funded regeneration programme, the Council held £14million at the previous Balance Sheet date, 31 March 2011, which is available forallocation for development within several local district councils. That sum was recorded as a creditor at that date. The development of further development plans has identified sums that will be attributable to Harlow Council. As a result, the accounting treatment in 2011/12 has been changed to reflect the sums attributable to Harlow Council as grants now held in reserve as unapplied grant, whilst those balances attributable to other Councils' development plans, or which have been unallocated, remain as creditors or capital grants receipts in advance. In total, £11.6 million GAF/POD balances were held as 31 March 2012.

Cultural, Environmental and Planning Services

For 2011/12, the accounting Code of Practice requires gross expenditure and gross income to be shown separately for each of these three service areas in the Comprehensive Income and Expenditure Statement. The 2010/11 comparative gross figures have been restated due to a change in accounting treatment relating to fair value and impairment adjustments. The 2010/11 adjustments posted to income (£4,214,000) have been reclassified as adjustments to expenditure to reflect the usual allocation of these accounting entries. The net expenditure for the three services remains unchanged.

HRA Housing Stock Revaluation

In 2010/11, a deficit on the revaluation of property plant and equipment assets of £87.1 million is recorded in the Comprehensive Income and Expenditure Account in relation to a reduction in value of dwelling stock, due mainly to the downward valuation of assets - caused by the reduction in percentage applied to the open market value to account for "sitting tenants" in Council dwellings.

BALANCE SHEET AS AT 31 MARCH 2012

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council 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; as well as reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'

	Note	2011/12 £000	2010/11 (restated) £000	2010/11 £000	1 April 2010 (restated) £000
Property, Plant & Equipment	11	597,627	567,321	565,244	705,920
Heritage Assets	12	1,490	1,490	-	1,388
Investment Property	13	22,006	24,064	27,019	19,290
Intangible Assets	14	981	863	863	921
Long-Term Debtors		490	486	486	412
Long-Term Assets		**622,594**	594,224	593,612	727,931
Short-Term Investments		3,000	-	-	-
Assets Held for Sale	19	166	-	-	-
Inventories	16	34	45	45	39
Short-Term Debtors	17	10,201	14,454	14,454	15,832
Cash and Cash Equivalents	18	16,271	19,915	19,915	14,672
Current Assets		**29,672**	34,414	34,414	30,543
Short-Term Borrowing	42	(2,885)	(10)	(10)	(10)
Short-Term Creditors	20	(12,135)	(27,584)	(27,584)	(25,398)
Provisions		-	-	-	-
Current Liabilities		**(15,020)**	(27,594)	(27,594)	(25,408)
Long-Term Creditors		(274)	(275)	(275)	(252)
Provisions	21	(117)	(116)	(116)	-
Long-Term Borrowing	42	(211,837)	(5,800)	(7,807)	(8,203)
Other Long-Term Liabilities	43	(87,979)	(68,751)	(66,744)	(85,661)
Grants Receipts in Advance - Capital	33	(4,070)	(835)	(835)	(876)
Long-Term Liabilities		**(304,277)**	(75,777)	(75,777)	(94,992)
Net Assets		**332,969**	525,267	524,655	638,074
Usable Reserves	22 & MIRS	(23,598)	(12,801)	(12,801)	(9,852)
Unusable Reserves	23	(309,371)	(512,466)	(511,854)	(628,222)
Total Reserves		**(332,969)**	(525,267)	(524,655)	(638,074)

BALANCE SHEET AS AT 31 MARCH 2012

Details of restatements that have been made to the Balance Sheet in respect of the previous financial year, 2010/11, are shown in the following notes to the Accounts:

Restatement for Property Plant & Equipment, Heritage Assets and Unusable Reserves	- Details contained in Note 45 to the accounts
Restatement for Long-Term Borrowing and Other Long-Term Liabilities	- Details contained in Note 43 to the accounts
Restatement for Investment Properties and Property Plant & Equipment	- Details contained in Notes 11 and 13 to the accounts

The unaudited accounts were issued on 30 June 2012 and the audited accounts were authorised for issue on 20 September 2012.

Signed:

Simon Freeman CPFA
Head of Finance
27 September 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

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

	Notes	2011/12 £000	2010/11 £000
Net Surplus/(Deficit) on the Provision of Services		(219,808)	(85,305)
Adjustments to Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements		19,909	104,643
Adjustments for Items Included in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities		(1,670)	(6,981)
Net Cash Flows from Operating Activities		**(201,569)**	**12,357**
Investing Activities	25	(13,215)	(9,396)
Financing Activities	26	211,140	2,544
Other		0	(252)
Net (Increase)/Decrease in Cash and Cash Equivalents		**(3,644)**	**5,253**
Cash and Cash Equivalents at the Beginning of the Reporting Period		19,915	14,662
Cash and Cash Equivalents at the End of the Reporting Period	18	**16,271**	**19,915**

Adjustments to Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements (included in the Cash Flow Statement, above) comprise the following:

	2011/12 £000	2010/11 £000
Depreciation	21,814	40,737
Impairment and Downward valuations	10,171	73,244
Amortisation	462	415
Increase/ Decrease in Creditors	(15,435)	(2,061)
Increase/ Decrease in Debtors	2,502	696
Increase/ Decrease in Inventories	11	(6)
Movement in Pension Liability	(748)	(9,523)
Contribution to/ (from) Provisions	0	116
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,132	6,559
Movement in Investment Property Valuations	0	(5,534)
Total	**19,909**	**104,643**

Adjustments for Items Included in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities (included in the Cash Flow Statement, above) comprise the following:

	2011/12 £000	2010/11 £000
Capital Grants credited to surplus or deficit on the provision of services	0	(1,241)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,670)	(5,740)
Total	**(1,670)**	**(6,981)**

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NOTES TO THE ACCOUNTS

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1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the financial year end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice applicable to 2011/12, supported by International Financial Reporting Standards (IFRS).

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 Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- Supplies are recorded as expenditure when they are consumed – any goods purchased but not consumed are carried as inventories/stocks 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 Council'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 Council'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 Council'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 Council 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 an amount calculated on a prudent basis determined by the Council 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 for current employees and are recognised as an expense for services in the year in which employees render service to the Council. 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 Council 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 Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. A disclosure note related to exit payments is provided in the Statement of Accounts.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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

Council Employees 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 Council.

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

- The liabilities of the Essex Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- The assets of Essex Pension Fund attributable to the Council 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 Council, 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 Council 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council 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.

viii. Events after the Reporting Period

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 are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the noted 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 Council 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 Council 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.

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 Council 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 Council 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 Council 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. Where amounts in foreign currency are outstanding at the year end, they are converted at the spot exchange rate at 31 March. Resulting gains or losses on currency transactions are 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 Council when there is reasonable assurance that:

- the Council 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-ring fenced 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.

xii. 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 re-valued immediately before reclassification and then carried at the lower of this amount and fair value less sales costs. Where there is a subsequent decrease in the net fair value, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognized only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

An example of an Asset Held For Sale is the imminent disposal of a council dwelling under the ‘Right To Buy’ legislation. In this instance the asset’s value is transferred from ‘Council Dwellings’ and treated as a ‘Current Asset 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. The Revaluation Reserve on Assets Held for Sale (AHFS) is frozen in the previous asset category as the identification of an AHFS removes the capital accounting requirement. It is only when the asset disposal takes place that the revaluation reserve is moved to the Capital Adjustment Account.

xiii. Heritage Assets (HDC)

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

An intangible heritage asset is an intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events, and can be oral, photographic and computer records.

The term heritage asset is used in this accounting policy to refer to both tangible heritage assets and intangible heritage assets.

Property Heritage Assets that are operational are noted on the Heritage Asset Schedule, and are included in the appropriate Property Plant and Equipment category

Harlow District Council Heritage Assets can be categorised as follows:

- Fine Arts including Sculpture, Civic Gifts and Regalia including Chains of Office
- Artefacts at The Museum of Harlow
- Community Assets
- Listed Buildings and Archaeological Sites

Fine Arts including Sculpture, Civic Gifts and Regalia

Harlow Council maintains a Fine Art Collection and insures works owned by Harlow Arts Trust and others. Harlow is designated a “Sculpture Town”. The Collection owned by the Council and listed on the insurance schedule includes 63 pictures and models including small sculptures, 54 of which are on display in the Gibberd Gallery at the Civic Centre and the remaining 9 are in storage.

There are 22 externally displayed art works, which comprise assorted monuments, sculptures and designs situated throughout Harlow town, mostly by leading twentieth century artists.

Also insured are a variety of art works and sculptures owned by Harlow Arts Trust and Harlow Arts Council some of which are on display at the Gibberd Gallery or placed in various areas of the Town.

The insurance values of the Council owned art are the basis for the asset values included in the balance sheet. The values are reviewed every five years with a desktop review annually to ensure potential material changes can be reflected.

These assets are deemed to have an indeterminate life and high residual values. The Council does not consider it necessary to provide for depreciation.

The assets movements are relatively static with very little acquisitions or disposals. However, acquisitions are initially recognised at cost, and donated assets at valuation provided by external valuers and with reference to appropriate commercial markets using the most recent and relevant information from sales at auctions. These have until now been recorded as Community Assets.

Harlow Council has a variety of gifts received both on display in the Civic Centre and held in storage including, but not exclusively, ashtrays, bowls, vases, books, pictures and plates recognising the history, culture and contacts that the New Town has had since its inception. In addition there are 3 Chains of Office, one of which is fully engraved with holders' names and therefore no longer in use. The remaining two are for the Chairman and Vice Chairman. The Council considers that only 3 pictures within this category of assets are worthy of being recorded on the Balance Sheet, and these have been recorded on the Fine Arts Schedule.

The three pictures included at insurance values are reviewed every five years with a desktop review annually to ensure any potential material changes can be reflected.

Due to a combination of the diverse nature of other assets and immaterial values this would involve a disproportionate cost in valuation compared to any benefit to the user of the Council's financial statements. Therefore these are excluded from the Balance Sheet.

These assets are deemed to have an indeterminate life, such that the Council does not consider it necessary to provide for depreciation. As such these items are a disclosure to the accounts.

Artefacts held at the Museum of Harlow

The Museum building, is recognised in the Asset Register under `Property Plant & Equipment', and houses a varied collection of items relating to the archaeology and social history of Harlow from pre-historic to the present time. The Collection includes Antiquities, Furniture, Costumes, a Paper and Reference Archive, Bicycles, Coins and Metal items. Only a small part of the total Collection is on display the remainder being in storage. However, any item may be viewed by appointment.

Ownership of the Collection lies with Harlow Council. Acquisitions come from donations which are accepted on a non returnable basis, and only if they are relevant to the history and culture of Harlow. The Museum is accredited to the Museums Libraries and Archives Council and therefore adopts the policies of this body governing acquisitions, disposals and the appropriate ethical and professional management of the museum and its collections.

The Collection is valued for insurance purposes and that is the basis for the asset values included in the balance sheet. The values are reviewed every five years with a desktop review every two years to ensure potential material changes can be reflected.

These assets are deemed to have an indeterminate life and the Council does not consider it necessary to provide for depreciation.

The asset movements are relatively static with few acquisitions or disposals. Donated assets acquired are recognised at valuation provided initially by a responsible officer at the Museum and then if required, by external valuers, with reference to appropriate commercial markets using the most recent and relevant information from sales at auctions.

It should be noted that from the 1 April 2012 The Museum of Harlow will be run by Science Alive in partnership with Harlow Council, with ownership of the building and Collections remaining with the Council.

In addition to the tangible collection the museum maintains intangible assets including a computer database which documents the collection. The various educational and information material that has been put together by the staff has been computerised and is being brought together as a reference resource. There is also a computer collection of items, oral history and photographs, which in the main do not belong to the museum but which have been scanned for reference purposes. These intangible assets lack any comparable market values, and cost records do not exist. The cost of providing a Balance Sheet valuation would be disproportionate to any benefit to the user of the Council’s financial statements and therefore are exclude from the Balance Sheet.

Community Heritage Assets

Heritage assets previously included as Community Assets include the Sculpture Trail along the River Stort assembled in 2007/08. Four freestanding sculptures and a metal and glass walkway form the three-and-a-half mile waterside trail along the River Stort linking Parndon Mill to the Gibberd Garden in Harlow. These items are listed in the Fine Arts Schedule. The Sculpture Trail itself is shown in the Asset Register at cost, and therefore in the balance sheet at cost.

These assets are deemed to have an indeterminate life, such that the Council does not consider it necessary to provide for depreciation. As such these items are a disclosure to the accounts.

Such assets are by their nature static with very few acquisitions and no disposals. However, where a value can be determined, acquisitions are initially recognised at cost, and donated assets at insurance valuation.

The New Town also has six War Memorials: at Churchgate Street, Great Parndon, Netteswell Cross (2), Potter Street and Mulberry Green.

These assets lack any comparable market values, and cost records do not exist. The cost of providing a balance sheet valuation would be disproportionate to any benefit to the user of the Council’s financial statements and therefore is excluded from the balance sheet.

Listed Buildings and Archaeological Sites

Listed Properties

Harlow Council has 18 Listed Buildings within the town. In the main the Listed Buildings are owned by the Council and used for housing or held as investments and are therefore operational assets. They are included on the Balance Sheet in the relevant category and valued as such.
The accounting treatment will be that required by the relevant category in which they are held.

Cotswold House and Kingsmoor House are both surplus assets, and are currently subject to a development initiative, which will result in their disposal.

Archaeological Sites

The archaeological sites include a Roman Temple which has been fully excavated and the outline of the temple is now laid out with flagstones. The Site of Little Parndon Hall adjacent to Little Parndon Church shown on the Chapman and Andre map (1777) includes the Moat Marsh Nature Reserve. This site was bisected by the construction of the railway line in the 1840s. At Canons Brook there are two red brick piers with free stone caps dating from the 17th Century which were part of the gateway to Canons Brook Barn. The Garden Wall at Passmores House is part of the remains of a moated medieval site and later a 16th Century Manor House which included outbuildings and walled garden. The whole Passmores House site was the subject of archaeological assessment by ECC Field Archaeology Unit in November 2007.There are in addition two unexcavated Tumuli, one off Gilden Way and the other near the Princess Alexandra Hospital.

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

Heritage Assets General

The carrying amount of Heritage Assets are reviewed and where there is evidence of impairment due to physical deterioration, breakage, or doubts arise as to its authenticity, such impairment will be recognised in accordance with the Council's general policy on impairment. Where Heritage Assets are disposed the gains or losses will be treated as gains or loses on disposal, and the receipt regarded as capital unless less than £10,000 where it would be revenue in accordance with the statutory accounting requirement.

The CIPFA Accounting Code of Practice recommends that authorities compile a schedule of valuations, acquisitions and disposals across a 5-year period. However, where circumstances prevent the presentation of this record for periods prior to 1 April 2010, there is no requirement to present that information. Given the nature of the 5-yearly valuations that have occurred for Harlow Council prior to 1 April 2010, it has not been practicable to present this information. However, for accounting periods following that date, relevant data will be collected to enable the eventual development of a 5-year summary of transactions to be presented.

xiv. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council.

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 Council 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 Council's goods or services.

Intangible assets are measured initially at cost. Assets are only revalued where their fair value can be determined by reference to an active market. In practice, no intangible asset held by the Council meets these criteria, 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.

xv. Interest in Companies and other Entities

The Council has interests in a number of companies and entities. Kier Harlow Ltd provides property maintenance services, the Council has a 19% share in the company, and a disclosure is made under Related Party transactions. Harlow Regeneration Limited (HRL) is a wholly owned subsidiary company operated by the Council. The transactions of the HRL are immaterial, and the Accounting statements include all expenditure of a capital and revenue nature within the single entity Statement of Accounts. Disclosure is also provided in the note on Related Party transactions.

xvi. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

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.

xvii. 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.

xviii. Jointly Controlled Operations and Jointly Controlled Assets

The Council has no Jointly Controlled Operations and no Jointly Controlled Assets

The Council does act as Management Agent for the DCLG Programme of Development (POD), previously known as the Growth Area Funding (GAF).

Expenditure is recorded largely as capital expenditure, and includes grants given to other beneficiaries. The grant from DCLG unspent is received without outstanding conditions; and therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure statement in accordance with the accounting policy for government grants and contributions. Thus:

- Revenue funds held for HDC projects are passed through the Comprehensive Income & Expenditure Statement and held in earmarked reserves;
- Revenue funds held for third parties are held in Creditors;
- Capital funds held for HDC projects are passed through the Comprehensive Income & Expenditure Statement and held in the Capital Grant Unapplied account;
- Capital funds held for third parties are held in Capital Grants Receipts in Advance.

xix. 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 Council 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 Council 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 Council at the end of the lease period).

The Council 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 Council as Lessor

Finance Leases

Where the Council 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 Council'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 Council 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.

xx. 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 Service Reporting Code of Practice 2011/12 (SeRCOP). 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 Council'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 SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xxi. 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 Council 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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). 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 Council.

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. This applies to one major asset at present.

Harlow Council does not componentise Council Dwelling because the impact has been demonstrated to be immaterial.

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.
Where the receipt from Land and other assets is received it is Council policy not to pool these funds but to apply them to regeneration or social housing provision.
The balance of receipts from Council Dwellings 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.

xxii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council 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 Council 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 Council 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 Council settles the obligation.

Contingent Liabilities

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

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.

xxiii. Reserves

The Council 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 may be held to enable the Council to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxiv. 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 Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged to that there is no impact on the level of council tax.

xxv. 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.

xxvi. Housing Revenue Account (HRA) Self Financing

A payment of £208,837,000 made to HM government is being accounted for through a charge to the HRA, with loans being raised to finance the payment. The payment is adjusted through the Movement in Reserves Statement to remove the impact on the revenue account and transferred to the Capital Adjustment Account. Future loan repayments in accordance with the Council's 30-year Housing Business Plan will reduce the loan outstanding.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The introduction of HRA Self Financing by the Government occurred towards the end of the financial year on 28 March 2012, when final settlement was made to the Government for the transfer of the responsibilities to local authorities. The high value of the debt required to be taken on by the Council and the anticipated increase in the profile attached to the future operation of the Council's Housing Service represent significant change. Much work has been completed in developing a 30-year business plan for the HRA, which demonstrates the sustainability of the HRA given anticipated costs, revenues and new investment in housing provision. The impact of Self Financing has been incorporated within the financial accounts based upon information available to the Council at the time of preparing the accounts.
- Council Housing has for the second year, not been subject to Componentisation due to the short life of the property, revealing no material change in depreciation. The General Fund assets were assessed and one found worthy of Componentisation.

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

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

The items in the Council’s Balance Sheet at 31 March 2012, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Although HRA Self Financing will bring more certainty over the Council’s ability to fund its capital programme, new regulations which must be in force by 1 April 2017 require Councils to depreciate assets without an adjustment back	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that, if the annual depreciation charge for assets were to be increased by 1%, the extra charge to services would amount to £272,000. The major Repairs Reserve records a difference between valuation

	to the Major Repairs Allowance. This new regulation will have a significant impact, and will require a reassessment of the useful remaining lives of assets, to increase the lives to enable the depreciation to be spread over a longer period and thereby be funded.	depreciation and Major Repairs Allowance of £19.5million. This is the sum that needs to be reduced to enable the depreciation to be funded from 1 April 2017.
Provisions (i)	The Council has not made a provision for the settlement of claims for back pay arising from the Equal Pay initiative because no claims remain outstanding and all previous claims have been small in value. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	In the event that any further cases arise, a provision would be required. However, the accounting Code of Practice requires that the impact upon service costs is only realised in the year in which settlement is made.
Provisions (ii)	The Council carries a provision of £116,500 in its Balance Sheet to reflect the possibility that fees for land charges searches may be repayable. National legal proceedings will shape precedents regarding the refund of fees, thus the full impact upon the Council remains uncertain, particularly because identifying individuals for whom searches were provided is regarded as unlikely due to those searches having been made through third party businesses.	Whilst this provision will remain in place for the foreseeable future, any remaining sums not refunded will eventually form a reversal of the provision and a transfer made to the General Fund balance.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating, primarily, to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions cannot be measured accurately. The assumptions interact in complex ways. During 2011/12, the pension fund actuaries advised that the net pensions' liability had increased by £19.71million. £20.46million was related to actuarial loss and £0.76million gain was due to changes in assumptions.
Arrears	At 31 March 2012, the Council had made significant provisions for doubtful debts, amounting to	If the Council's collection rates were to deteriorate, an increase in the current provisions by 1% would

	£3.480million in total. Council tenant rent bad debt provision increased by £22,000 to £2.363million, providing substantial cover for non-payment of arrears. The Housing Welfare reforms may create more challenges for rent collection from 2013-14 onwards, although the current level of cover has been assessed as adequate at present.	require an extra provision of £35,000.

4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

Actuarial Gain

The Pension Fund Actuary has reported an actuarial loss for 2011/12 of £20.46 million. This is reported as a loss on the Comprehensive Income and Expenditure Statement, and is included in the line "Actuarial Gains/ Losses on Pension Asset and Liabilities".

The Loss is not a burden on the Council Tax but becomes part of the Pension Reserve, and will be held as part of a negative capital reserve until it can be removed over many years by future gains on the pension fund and increased contributions.

Housing Revenue Account Self Financing

On 28 March 2012 the Council borrowed £208.8 million from the Public Works Loan Board and payment was made to the Department of Communities and Local Government. This transaction allowed the Council to buy itself out of the Housing Subsidy system under the Government's Self Financing proposals. In exchange for a one-off payment the Council, along with a number of other councils across the country, will now no longer be required to make annual payments to the Government which, for Harlow, amounted to £14.3 million in 2011-12. However interest is payable on the debt and, ultimately, the Council must provide for repayment of the debt or re-provision of the debts in the longer term.

In order to plan the Council's financial management around Self Financing, a comprehensive 30-year business plan has been developed. This includes the implications of the £208.8 million payment for the Council combined with the Government's assessment over a 30 year period of what it considers can be sustained by Harlow's Housing Revenue Account.

Following introduction of Self Financing, the Council will now be free to retain all rental income from its housing stock but will still need to adhere to national policies regarding annual rent guidelines.

5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts will be authorised for issue by the Council's Head of Finance on 20 September 2012. 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 2012, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The Statement of Accounts is required to be produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code of Practice), which satisfies the requirements of International Financial Reporting Standards (IFRS). However, because of the unique funding environment that exists for local authorities, which has historically been defined by a range of legislation, the financial reporting of the Council under the Code of Practice does not present the Council's financial results on the same basis.

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The adjustments are set out in the following tables, starting overleaf:

2011/12	Usable Reserves					
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Payments to Secretary of State (HRA Self-financing) - REFCUS		(208,837)				208,837
Charges for depreciation and impairment of non-current assets	(2,390)	(1,032)				3,422
Revaluation losses on Property Plant and Equipment	(48)					48
Movements in the fair value of Investment Properties	(232)	(3)				235
Amortisation of intangible assets	(118)	(344)				462
Capital grants and contributions applied	9,061	857			(7,974)	(1,944)
Income in relation to donated assets						
Revenue expenditure funded from capital under statute	(30)					30
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	(910)	(1,230)				2,140
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment						
Capital expenditure charged against the General Fund and HRA balances	387					(387)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						
Application of grants to capital financing transferred to the Capital Adjustment Account						
Transfers in respect of Community Infrastructure Levy Receipts						
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	721	1,543	(1,598)			(666)
Use of the Capital Receipts Reserve to finance new capital expenditure			479			(479)
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals						

Continued overleaf

2011/12 continued	**Usable Reserves**					
	General Fund Balance £000s	**Housing Revenue Account** £000s	**Capital Receipts Reserve** £000s	**Major Repairs Reserve** £000s	**Capital Grants Unapplied** £000s	**Movement in Unusable Reserves** £000s
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(1,119)		1,119			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(31)					31
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(19,511)		(7,676)		27,187
Use of the Major Repairs Reserve to finance new capital expenditure				7,676		(7,676)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements						
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,765)	(277)				4,042
Employer's pensions contributions and direct payments to pensioners payable in the year	2,860	1,930				(4,790)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements						
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:						
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						
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5	(7)				2
Total Adjustments	4,391	(226,911)	0	0	(7,974)	230,494

2010/11	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(8,260)	(40,384)			48,644
Revaluation losses on Property Plant and Equipment					
Movements in the market value of Investment Properties	4,214	1,320			(5,534)
Amortisation of intangible assets	(158)	(257)			415
Capital grants and contributions applied		683			(683)
Revenue expenditure funded from capital under statute	(198)				198
Capital contributions deferred written down	580				(580)
Carrying amount of non-current assets sold	(33,715)	(2,420)			36,135
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Capital expenditure charged against the General Fund and HRA balances	311	125			(436)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,248				(1,248)
Application of grants to capital financing transferred to the Capital Adjustment Account	(2)				2
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,248	1,493	(5,741)		
Use of the Capital Receipts Reserve to finance new capital expenditure			4,583		(4,583)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(1,158)		1,158		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(1)				1

2010/11 continued	**Usable Reserves**				
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Movement in Unusable Rserves**
	£000s	£000s	£000s	£000s	£000s
Adjustment primarily involving the Major Repairs Reserve:					
Reversal of Major Repairs Allowance credited to the HRA		(25,892)		(7,467)	33,359
Use of the Major Repairs Reserve to finance new capital expenditure				7,467	(7,467)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,292				(4,292)
Employer's pensions contributions and direct payments to pensioners payable in the year	5,028	203			(5,231)
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	40				(40)
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(42)				42
Total Adjustments	(23,573)	(65,129)	0	0	88,702

7. 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 2011/12.

Earmarked Reserve	Balance as at 31 Mar 2010 £000s	2010/11 Transfers Out £000s	2010/11 Transfers In £000s	Balance as at 31 Mar 2011 £000s	2011/12 Transfers Out £000s	2011/12 Transfers In £000s	Balance as at 31 Mar 2012 £000s
GENERAL FUND RESERVES							
Perpetuity Reserves	506	(394)	699	811	(49)	41	803
Big Society Fund				0	0	1,000	1,000
Environment Reserve	92	(72)	65	85	0	16	101
Housing Benefits Subsidy Reserve	0	(150)	300	150	0	0	150
Insurance claims - GF	55	0	421	476	0	50	526
Insurance Fund - GF	394	(35)	224	583	(27)	171	727
Invest To Save Reserve	24	(567)	931	388	(55)	44	377
Partnership Fund				0	0	200	200
Planning Reserve				0	0	102	102
Residual Land Transfer	93	0	0	93	0	0	93
Severance Reserve	115	(635)	1,270	750	0	78	828
Standards Committee Contingency	50	0	0	50	0	0	50
Total General Fund	**1,329**	**(1,853)**	**3,910**	**3,386**	**(131)**	**1,702**	**4,957**
HRA RESERVES							
Perpetuity Reserves	2,151	(423)	93	1,821	(420)	99	1,500
Major Repairs Reserve				0	0	0	0
Insurance claims - HRA	83	0	421	504	0	50	554
Insurance Fund - HRA	731	(163)	322	890	(213)	316	993
Total HRA	**2,965**	**(586)**	**836**	**3,215**	**(633)**	**465**	**3,047**
EARMARKED GRANTS RESERVES							
General Fund	0	0	0	0	0	934	934
Total Earmarked Grants Reserves	**0**	**0**	**0**	**0**	**0**	**934**	**934**
Total All Earmarked Reserves	**4,294**	**(2,439)**	**4,746**	**6,601**	**(764)**	**3,101**	**8,938**

Reserve Descriptions
General Fund:

Perpetuity Reserves	The perpetuity reserves were established with the intention of providing a long-term source of financing to enable the Council to meet its contractual obligations under a range of covenants associated with each reserve, without impacting upon the revenue budgets.
Big Society Fund	This fund was established to contribute financial support to other organisations during the transfer and development of discretionary services previously provided by the Council.
Environment Reserve	Originally established from energy savings achieved in the General Fund revenue budget, this reserve's purpose is to finance energy-efficiency schemes, and provides scope to reduce future energy usage and emissions.
Housing Benefits Subsidy Reserve	Established as a means of financing potential adverse variations in the Council's annual housing benefit and subsidy mechanism. Where "surpluses" arise, these are set aside as a transfer into the reserve in case of future "deficits" being financed as a transfer from the reserve.
Insurance claims - GF	Recognising the risk of insolvency of MMI, once the Council's main insurer, this earmarked reserve was set up to offset possible future costs falling on the Council as a result of that insolvency.
Insurance Fund - GF	The Council self-insures through its own insurance fund for losses in connection with employee car loans scheme, theft, excess motor insurance, excess employer's liability, fire and dwellings and a number of other minor items. This reserve represents the insurance fund that finances self-insured losses to a defined threshold, above which the Council's insurers meet the cost of claims. An Actuary (currently John Birkenhead, Fellow of the Institute & Faculty of Actuaries) is appointed to conduct regular reviews to ensure the fund's adequacy.
Invest To Save Reserve	This reserve has been made available from windfall income and is used to drive improvements to services, including increasing efficiency.
Partnership Fund	Established to help meet the Council's share of the implementation costs of the Revenues and Benefits partnership with Uttlesford District Council for the delivery of a joint Revenues and Benefits services.
Planning Reserve	The Council's work on the Local Development Framework (LDF) within the Planning Service has been rescheduled, whereby planned costs will be spent in future years instead. This reserve is intended to take account of new timescales in the LDF process in the future.
Residual Land Transfer	Further to the Council's acquisition of a range of land parcels from the Homes and Communities Agency (formerly English

	Partnerships), this reserve was established to meet future re-instatement works to the transferred land.
Severance Reserve	Used to finance redundancy costs in excess of those included in the General Fund's annual base budget.
Standards Committee Contingency	Established to finance possible future liabilities arising from the work of the Council's Standards Committee.
HRA: Reserve Descriptions	
Perpetuity Reserves	As described under the General Fund, above.
Major Repairs Reserve	Previously used to record the unspent balance of HRA subsidy paid to housing authorities, it is anticipated that the use of this reserve will change following the introduction of Self Financing to the HRA in March 2012.
Insurance claims - HRA	As described under the General Fund, above.
Insurance Fund - HRA	As described under the General Fund, above.

Earmarked Grants Reserves:
These have been established for the purpose of fulfilling a new IFRS accounting requirement. Any revenue grant, for which the conditions of the grant have been met by the Council other than the funds having been applied, is required to be recorded in the year of receipt. The unused element of grant can be held in earmarked reserves pending their future release to finance expenditure aligned with the appropriate grant. Therefore, unlike the earmarked reserves for the General Fund and HRA listed above, movements to and from the earmarked grants reserves will be in accordance with grant requirements, and do not require the formal authorisation of the Full Council.

8. OTHER OPERATING EXPENDITURE

	2011/12 £000s	2010/11 £000s
(Surpluses)/ Deficits on trading undertakings		(134)
Leisurezone disposal/ donation		29,576
Payments to the Government Housing Capital Receipts Pool	1,119	1,158
(Gains)/ Losses on the disposal of Non-Current Assets	(125)	818
Total	**994**	**31,418**

In order to ensure that income from car parks and markets are shown in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, surpluses/deficits on trading undertakings are no longer included within the Other Operating Expenditure note above. Income from car parks is now included within Highways in the Comprehensive Income and Expenditure Statement and the deficit from market operations is shown in Note 9 within investment income in the Financing and Investment Income and Expenditure note.

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2011/12 £000s	2010/11 £000s
Interest payable and similar charges	534	411
Pensions interest cost and expected return on pensions assets	2,349	4,142
Interest receivable and similar income	(139)	(64)
Income and expenditure in relation to investment properties and changes in their fair value	(1,127)	(7,291)
Other investment income		(683)
Total	**1,617**	**(3,485)**

10. TAXATION AND NON-SPECIFIC GRANT INCOME

	2011/12 £000s	2010/11 £000s
Council tax income	7,179	7,102
Non-domestic rates	4,853	7,774
Non-ringfenced government grants	2,049	1,983
Capital grants and contributions	11,473	1,255
Total	**25,554**	**18,114**

11. PROPERTY, PLANT AND EQUIPMENT

Movements in 2011/12

2011/12	Property, Plant and Equipment							
	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s
Cost of Valuation at 1 April 2011	**550,889**	**42,532**	**6,722**	**6,495**	**931**	**0**	**0**	**607,569**
Additions	12,096	1,046	137	262				**13,541**
Donations								**0**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	45,035	2,248						**47,283**
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(984)	265						**(719)**
Derecognition - Disposals	(1,389)	(900)	(20)					**(2,309)**
Derecognition - Other		(85)						**(85)**
Assets reclassified (to)/from Held for Sale	(177)							**(177)**
Other movements in cost or valuation	(2,286)	(3,042)	(1,149)			3,756		**(2,721)**
Cost of Valuation at 31 March 2012	**603,184**	**42,064**	**5,690**	**6,757**	**931**	**3,756**	**0**	**662,382**
Accumulated Depreciation and Impairment at 1 April 2011	**(33,340)**	**(3,224)**	**(2,867)**	**(817)**				**(40,248)**
Depreciation Charge								**0**
Depreciation written out to the Revaluation Reserve	(7,590)	(343)	(44)					**(7,977)**
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	(19,591)	(806)	(608)	(208)				**(21,213)**
Impairment losses/ (reversals) recognised in the Revaluation Reserve								**0**
Impairment losses/(reversals) recognised in the Surplus/(Deficit) on the Provision of Services								**0**
Derecognition - Disposals	159		10					**169**
Derecognition - Other	12	10						**22**
Other movements in depreciation and impairment	321	3,179	1,146			(154)		**4,492**
Accumulated Depreciation and Impairment at 31 March 2012	**(60,029)**	**(1,184)**	**(2,363)**	**(1,025)**	**0**	**(154)**	**0**	**(64,755)**
Net Book Value								
At 31 March 2012	543,155	40,880	3,327	5,732	931	3,602	0	**597,627**
At 31 March 2011 (restated)	517,549	39,308	3,855	5,678	931	0	0	**567,321**
Variation	**25,606**	**1,572**	**(528)**	**54**	**0**	**3,602**	**0**	**30,306**
At 31 March 2012	543,155	40,880	3,327	5,732	931	3,602	0	**597,627**
At 31 March 2011	517,549	36,353	3,855	5,678	1,810	0	0	**565,245**
Variation	**25,606**	**4,527**	**(528)**	**54**	**(879)**	**3,602**	**0**	**32,382**

11. PROPERTY, PLANT AND EQUIPMENT CONT.

Comparative Movements in 2010/11

2010/11 Comparatives	Property, Plant and Equipment							
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Valuation at 1 April 2010	**626,667**	**40,912**	**6,592**	**6,403**	**911**	**0**	**29,586**	**711,071**
Additions	9,126	496	130	92	20		4,139	**14,003**
Donations							(29,586)	**(29,586)**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(43,548)	4,110				2,639		**(36,799)**
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(38,945)	(2,255)					(4,128)	**(45,328)**
Derecognition - Disposals	(2,420)					(4,139)		**(6,559)**
Derecognition - Other								**0**
Assets reclassified (to)/from Held for Sale								**0**
Other movements in cost or valuation	9	(731)				1,500	(11)	**767**
Cost of Valuation at 31 March 2011	**550,889**	**42,532**	**6,722**	**6,495**	**931**	**0**	**0**	**607,569**
Accumulated Depreciation and Impairment at 1 April 2010		**(2,364)**	**(2,177)**	**(611)**				**(5,152)**
Depreciation Charge								**0**
Depreciation written out to the Revaluation Reserve	(10,480)	(310)	(382)					**(11,172)**
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	(22,860)	(550)	(308)	(206)				**(23,924)**
Impairment losses/ (reversals) recognised in the Revaluation Reserve								**0**
Impairment losses/(reversals) recognised in the Surplus/(Deficit) on the Provision of Services								**0**
Derecognition - Disposals								**0**
Derecognition - Other								**0**
Other movements in depreciation and impairment								**0**
Accumulated Depreciation and Impairment at 31 March 2011	**(33,340)**	**(3,224)**	**(2,867)**	**(817)**	**0**	**0**	**0**	**(40,248)**
Net Book Value								
At 31 March 2011 (restated)	517,549	39,308	3,855	5,678	931	0	0	**567,321**
At 31 March 2010 (restated)	626,667	38,548	4,415	5,792	911	0	29,586	**705,919**
Variation	**(109,118)**	**760**	**(560)**	**(114)**	**20**	**0**	**(29,586)**	**(138,598)**
At 31 March 2011	517,549	36,353	3,855	5,678	1,810	0	0	**565,245**
At 31 March 2010	626,667	35,593	4,415	5,792	1,688	0	29,586	**703,741**
Variation	**(109,118)**	**760**	**(560)**	**(114)**	**122**	**0**	**(29,586)**	**(138,496)**

i. Depreciation

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

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

ii. Capital Commitments

At 31 March 2012, the Council had entered into a number of contracts for the construction of or enhancement to Property, Plant and Equipment in 2012/13 and future years, budgeted at £2,625,000. Similar commitments at 31 March 2011 were £1,857,000. The major commitments are:

Scheme	**Future Commitment £000s**
Gas Central Heating	389
External Decent Homes Improvement (windows & doors)	273
Upgrade to landlords lighting	250
Townwide Building Defects	202
Electrical Works	201
Total Capital Commitments	**1,315**

iii. Revaluations

The valuation work for the bulk of the Council's property portfolio was carried out by the District Valuer between December 2011 and March 2012.

Properties are valued on an area basis over a 5 year period that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Investment Properties - As part of the valuation programme investment properties located in Old Harlow, Mark Hall and Templefield areas were re-valued by the District Valuer with investment properties in other areas of Harlow subject to desk top review.

Council Dwellings - Housing Beacons were valued by the District Valuer as at 01 April 2011 as part of the valuation process and reviewed as at 31March 2012. Three dwellings were pending `Right to Buy' sales at 31 March. These are deemed as `Assets Held for Sale' and valued on the same basis.

Other Land and Buildings - Based on the 5 year valuation programme properties located in Old Harlow, Mark Hall and Templefield areas were re-valued by the District Valuer. In addition in the Town Centre the District Valuer re-valued one property and valued one other property purchased in 2011-12.

Surplus Assets - Surplus assets included two properties which are subject to conversion but for which title has not passed.

Heritage Assets - Where Heritage Assets are in operational use they are included in the balance sheet in the relevant category in which they are held and valued accordingly. (Reference Note 12 Listed Properties).

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

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

Net Book Values	**Council Dwellings** £000s	**Other Land and Buildings** £000s	**Vehicles, Plant, Furniture & Equipment** £000s	**Surplus Assets** £000s	**Total** £000s
Carried at historical cost	560,377	57,096	1,322	0	618,795
Valued at fair value as at:					
31 March 2012	543,155	40,880	3,327	3,602	590,964
31 March 2011	517,550	36,355	3,855	0	557,760
31 March 2010	626,667	35,593	4,415	0	666,675
31 March 2009	626,442	35,763	1,029	0	663,234
31 March 2008	705,123	39,514	3,157	0	747,794

12. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council	Museum Artefacts £000s	Community Heritage Assets £000s	Art Collection £000s	Total £000s
Cost or valuation:				
1 April 2010	612	25	751	1,388
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	102	102
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0
Depreciation	0	0	0	0
31 March 2011	612	25	853	1,490
Cost or valuation:				
1 April 2011	612	25	853	1,490
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0
Depreciation	0	0	0	0
31 March 2012	**612**	**25**	**853**	**1,490**

Heritage Assets have been restated with effect from 1 April 2010 to comply with new regulations.

ARTEFACTS HELD AT MUSEUM OF HARLOW

Harlow Council's collection of artefacts is held at the Museum of Harlow and contains collections of antiquities, furniture, costumes, bicycles, coins and metal items. In addition there is an extensive collection of reference books, newspapers, photographs etc relevant to the study of the area and the development of Harlow New Town during the mid- to late twentieth century. The collection is reported on the Balance Sheet at the insurance value as assessed by Lyon and Turnbull in April 2010. The values are reviewed every five years with a desktop review every two years to ensure potential material changes may be reflected. These assets are deemed to have an indeterminate life and the Council does not consider it necessary to provide for depreciation.

Items of particular note included in the valuation reflect the local archaeological finds of Celtic and Roman coins (value £87,500), Roman and Iron Age jewellery and metal work and locally produced pottery remains from the Medieval and post-Medieval era. In addition there are a number of bronze busts and a limestone head of Minerva dating from the 3rd century (valued at £3,000). Furniture displayed includes the embroidered altar frontal, formerly from St Mary's Church, Latton, commemorating the Altham family (valued at £30,000). The bicycle collection displays examples from the earliest times of this leisure pursuit through the present day and includes a metal wheeled velocipede bicycle and a hobby horse (valued at £20,000).

Accession of items is by donation. The valuation of items is initially assessed by a responsible officer at the Museum and if required, by external valuers. There were no acquisitions or disposals from the Collection during 2011/12. Only a small part of the total Collection is on display the remainder being in storage at the Museum at the former Stable block to the long since demolished house named Mark Hall. However, any item may be viewed by appointment.

The Museum also maintains an archive of intangible assets including a computer database which catalogues the Collection. It includes various educational and information material as a reference resource. These intangible assets lack any comparable market values, and cost records do not exist they are therefore excluded from the balance sheet.

It should be noted that from the 1 April 2012 The Museum of Harlow will be run by Science Alive in partnership with Harlow Council, with ownership of the building and Collections remaining with the Authority. Some artefacts will be displayed at the Harlow LeisureZone.

FINE ARTS INCLUDING SCULPTURE

Harlow New Town is the creation of landscape architect Sir Frederick Gibberd, whose energy and enthusiasm sought to place works of art on housing estates. The Council maintains its own Fine Art Collection and also insures pieces owned by Harlow Arts Trust (founded by Gibberd and others). The Collection is reported on the Balance Sheet at an insurance value £853,500 which includes three paintings (total value £4,550) listed as Civic Gifts. The insurance value of the artworks and sculptures was assessed by Lyon and Turnbull in March 2010 and is reviewed every five years with a desktop review in the interim to ensure potential material changes can be reflected. These assets are deemed to have an indeterminate life and high residual values the Council does not therefore consider it necessary to provide for depreciation.

Harlow is designated a “Sculpture Town” best known for Henry Moore’s “Harlow Family Group” owned by Harlow Arts Trust, which during 2012 was on loan to the Victoria and Albert Museum in London for a major exhibition entitled ‘British Design 1948-2012’. Barbara Hepworth’s “Contrapuntal Forms” was acquired by the Harlow Arts Trust from the 1951 “Festival of Britain”, and is sited on one of the earliest built new town estates at Glebelands. Sir Frederick Gibberd’s contribution to Harlow is reflected in the Obelisk pencil drawing in the Gibberd Gallery and the actual stone “The Obelisk” located on the cross way at the centre of Broadwalk in the town centre (valued at £65,000). These sculptures form an important record of leading artists – the value of the item considerably exceeds the raw materials applied. They are jealousy guarded by the residents of Harlow who challenge would-be scrap metal thieves. Included also in the insurance valuation are numerous art works displayed in the Gibberd Gallery at the Civic Centre and the assorted monuments, sculptures and designs placed throughout the Town, mostly by leading twentieth century artists. A small number of art works are held in storage.

There are relatively few acquisitions and disposals of these assets, however, acquisitions are initially recognised at cost, and donated assets at valuation provided by external valuers and with reference to appropriate commercial markets using the most recent and relevant information from sales at auctions.

Until 2010/11 the Fine Art and Sculpture was recorded under Community Assets.

CIVIC GIFTS AND REGALIA

The Council considers that only three pictures within this category of assets are worthy of inclusion on the Balance Sheet, and these have been recorded on the Fine Arts Schedule (see note under Fine Arts above). The three pictures are included at insurance values and are reviewed every five years with a desktop review in the interim to ensure any potential material changes can be reflected.

The Council has a variety of gifts received through civic visits, both on display in the Civic Centre and held in storage including, but not exclusively, ashtrays, bowls, vases, books, pictures and plates recognising the history, culture and contacts that the New Town has had since its inception. In addition there are three Chains of Office, one of which was fully engraved with holders' names and therefore no longer in use. The remaining two are for the Chairman and Vice Chairman. Due to a combination of the diverse nature and immaterial values of these assets the Authority does not believe it to be cost effective to seek a valuation and they are therefore excluded from the Balance Sheet.

These assets are deemed to have an indeterminate life, such that the Council does not consider it necessary to provide for depreciation. As such these items are a new disclosure to the accounts in 2011/12. Asset movements also are relatively static with few acquisitions or disposals. However, acquisitions are initially recognised at cost, and donated assets at insurance valuation

COMMUNITY HERITAGE ASSETS

Community Heritage Assets maintained by the Authority were previously reported under Community Assets, Housing or Investment Properties or, as Archaeological Sites, went undisclosed.

Community Assets include the Bandstand in the Town Park, six War Memorials and a Sculpture Trail. The Sculpture Trial along the River Stort was assembled in 2007/08 and is reported in the balance sheet at cost. It includes four freestanding sculptures and a metal and glass walkway form the three-and-a-half mile waterside trail along the River Stort linking Parndon Mill Gallery to the Gibberd Garden in Harlow. These items are also listed in the Fine Arts Schedule and are deemed to have an indeterminate life, such that the Council does not consider it necessary to provide for depreciation.

Other Community Heritage Assets in the Town Park and around the Town are a disclosure to the accounts due to there being no comparable market values and cost records do not exist. They are by their nature static with very few acquisitions and no disposals, however, where a value can be determined acquisitions are initially recognised at cost and donated assets at insurance valuation. The cost of providing a balance sheet valuation would be disproportionate to any benefit to the user of the Authorities financial statements and therefore are excluded from the Balance Sheet.

Listed Properties

The Council has 18 Listed Buildings within the Town. In the main the Listed Buildings are owned by the Council and used for housing (e.g. Fountains Farm (17th century); the Arkwright family-built Clock House at Puffers Green (1864) and the new town built high rise block of flats at The Lawn); held as investment properties (e.g. Stewards Farm house (15th century)); or as other let property (e.g. Passmores House and building (18th century), Netteswell Rectory (c1760)). These are operational assets, included on the Balance Sheet in the relevant category and valued as such. The accounting treatment will be that required by the relevant category in which they are held. Refer to the section on Archaeological sites for the remaining listed properties.

Cotswold House and Kingsmoor House are both Surplus Assets, and are currently subject to a development initiative, which will result in their disposal.

Archaeological Sites

The Authority owns a number of archaeological sites within the Town including a Roman Temple which has been fully excavated with the outline of the temple now laid out in flagstones. The Site of Little Parndon Hall adjacent to Little Parndon Church, shown on the Chapman and Andre map (1777), includes the Moat Marsh Nature Reserve. This site was bisected by the construction of the railway line in the 1840s. At Canons Brook there are two red brick piers with free stone caps dating from the 17th Century which were part of the gateway to Canons Brook Barn. The Garden Wall at Passmores House is part of the remains of a moated medieval site and later a 16th Century Manor House which included outbuildings and walled garden. The whole Passmores House site was the subject of archaeological assessment by ECC Field Archaeology Unit in November 2007. There are in addition two unexcavated Tumuli, one off Gilden Way and the other near the Princess Alexandra Hospital.

The Council does not consider that reliable cost or valuations can be obtained for these sites. These assets lack any comparable market values, and cost records do not exist. The cost of providing a balance sheet valuation would be disproportionate to any benefit to the user of the Authorities financial statements and therefore is excluded from the balance sheet. These sites are therefore a disclosure to the 2011/12 accounts.

There were no additions to or disposals of heritage assets in 2010/11 or 2011/12.

13. INVESTMENT PROPERTIES

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

	2011/12 £000s	Restated 2010/11 £000s	2010/11 £000s
Rental income from investment property	1,692	1,657	1,930
Direct operating expenses arising from investment property	(179)	(147)	(173)
Net gain/(loss)	**1,513**	**1,510**	**1,757**

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

The following table summarises the movement in the fair value of Investment Properties over the year:

	2011/12 £000s	Restated 2010/11 £000s	1 Apr 2010 £000s
Balance at start of the year (1 April)	24,064	19,290	17,370
Additions:			
Purchases	-	-	
Construction	-	-	
Subsequent Expenditure	96	115	34
Disposals:			
Net gains/ (losses) from fair value adjustments	(283)	5,418	1,886
Transfers:			
(to)/ from inventories	-	-	
(to)/ from Property, Plant & Equipment	(1,871)	(759)	
Other changes	-	-	
Balance at end of the year (31 March)	**22,006**	**24,064**	**19,290**

A restatement to the 2010/11 Balance Sheet was necessary to correct the category under which one of the Council's properties was accounted for in 2010/11. The Latton Bush Centre had been categorised an Investment Property, but should have been categorised under Property Plant and Equipment. The adjustment equates to £2,955,000 in 2010/11.

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

14. INTANGIBLE ASSETS

The Council accounts for its software as an Intangible Asset, 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. Intangible Assets includes both purchased licenses and 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 Council. The useful lives assigned to the major software suites used by the Council are shown overleaf:

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £86,800 charged to revenue in 2011/12 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 amortisation is attributable to each service heading.

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

Movement on Intangible Asset Balances	2011/12 Internally Generated Assets £000s	2011/12 Other Assets £000s	2011/12 Total £000s	2010/11 Internally Generated Assets £000s	2010/11 Other Assets £000s	2010/11 Total £000s
Balance at start of year:						
- Gross carrying amounts	0	3,298	3,298	0	2,941	2,941
- Accumulated amortisation	0	(2,435)	(2,435)	0	(2,020)	(2,020)
Net carrying amount at start of year	**0**	**863**	**863**	**0**	**921**	**921**
Additions:						
- Internal development	0	0	0	0	0	0
- Purchases	0	580	580	0	357	357
- 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 Surplus/Deficit on the Provision of Services	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	(462)	(462)	0	(415)	(415)
Other changes	0	0	0	0	0	0
Net carrying amount at end of year	**0**	**981**	**981**	**0**	**863**	**863**
Comprising:						
- Gross carrying amounts	0	2,088	2,088	0	3,298	3,298
- Accumulated amortisation	0	(1,107)	(1,107)	0	(2,435)	(2,435)
	0	**981**	**981**	**0**	**863**	**863**

There are four items of capitalised software that are individually material to the financial statements as set out below:

	Carrying Amount as at 31 Mar 2012 £000s	Carrying Amount as at 31 Mar 2011 £000s	Remaining Amortisation Period
Housing IT Development (2011/12)	224		3 years
Housing IT Development (2010/11)	172	259	2 years
Housing IT Development (2009/10)	82	164	1 year
Housing IT Development (2008/09)		175	0 years
Total	**478**	**598**	

15. FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	as at 31 Mar 2012 £000s	as at 31 Mar 2011 £000s	as at 31 Mar 2012 £000s	as at 31 Mar 2011 £000s
Investments				
Loans and receivables			18,774	19,364
Available-for-sale financial assets				
Unquoted equity investment at cost				
Financial assets at fair value through profit and loss				
Total Investments	**0**	**0**	**18,774**	**19,364**
Debtors				
Loans and receivables	490	486		
Financial assets carried at contract amounts			8,355	14,297
Total included in Debtors	**490**	**486**	**8,355**	**14,297**
Borrowings				
Financial liabilities at amortised cost	211,837	5,800	2,885	10
Financial liabilities at fair value through profit and loss				
Total included in borrowings	**211,837**	**5,800**	**2,885**	**10**
Other Long-term Liabilities				
Long-term Creditors	274	275		
Finance lease liabilities	1,410	1,760		
Total other long-term liabilities	**1,684**	**2,035**		
Creditors				
Financial liabilities at amortised cost	106	246		
Financial liabilities carried at contract amount			10,269	13,737
Total Creditors	**106**	**246**	**10,269**	**13,737**

Income, Expense, Gains and Losses

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

Income, Expense, Gains and Losses	2011/12 Financial Liabilities - measured at amortised cost	2011/12 Financial Assets - loans and receivables	2011/12 Total	2010/11 Financial Liabilities - measured at amortised cost	2010/11 Financial Assets - loans and receivables	2010/11 Total
	£000s	£000s	£000s	£000s	£000s	£000s
Interest expense	(328)		(328)	(253)		(253)
Finance lease interest expense	(141)		(141)			
Total expense in Surplus or Deficit on the Provision of Services	**(469)**	**0**	**(469)**	**(253)**		**(253)**
Interest income		75	75		64	64
Total income in Surplus or Deficit on the Provision of Services	**0**	**75**	**75**	**0**	**64**	**64**
Net gain/(loss) for the year	**(469)**	**75**	**(394)**	**(253)**	**64**	**(189)**

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 2012 is sourced from the Public Works Loan Board (PWLB). PWLB is a statutory body operating with the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. For loans from the PWLB and other loans payable, 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:

	31 Mar 12		31 Mar 11	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£000s	£000s	£000s	£000s
Liabilities				
PWLB debt	214,637	224,023	5,800	6,181
Non-PWLB debt				
Total debt	214,637	224,023	5,800	6,181
Deferred Liabilities	1,516	1,516	2,006	2,006
Long-term creditors	274	274	275	275
Trade creditors	10,269	10,269	13,737	13,737
Total Liabilities	**226,696**	**236,082**	**21,818**	**22,199**

The fair value 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.

Assets				
Money market loans/ investment balances	18,762	18,774	19,354	19,364
Long-term debtors	490	490	486	486
Trade debtors	8,355	8,355	14,297	14,297
Total Assets	**27,607**	**27,619**	**34,137**	**34,147**

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 loans and receivables.

16. INVENTORIES

Consumables Stores	**2011/12**	**2010/11**
	£000s	£000s
Balance Outstanding at Start of Year (1 April)	45	39
Purchases	246	280
Recognised as an expense in the year	(257)	(274)
Balance Outstanding at End of Year (31 March)	**34**	**45**

17. DEBTORS

The table below shows the amount that was owed to the Council at 31 March 2012 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

	Balance as at 31 March 2012 £000s	Balance as at 31 March 2011 £000s
Central government bodies	1,388	3,100
Other local authorities	2,981	4,934
Other entities and individuals	5,833	6,420
Total	**10,202**	**14,454**

18. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	Balance as at 31 March 2012 £000s	Balance as at 31 March 2011 £000s
Cash held by the authority	8	10
Bank current accounts	489	541
Short-term deposits with financial institutions	15,774	19,364
Total	**16,271**	**19,915**

19. ASSETS HELD FOR SALE

	Current	
	2011/12 £000s	**2010/11** £000s
Balance outstanding at start of year	0	0
Assets newly classified as held for sale:		
- Property, Plant and Equipment	166	
Balance Outstanding at Year-end	**166**	**0**

20. CREDITORS

The table below shows the amount that the Council owed as at 31 March 2012 to third parties, together with amounts received by the Council in advance of supply of goods or services.

	Balance as at 31 March 2012 £000s	Balance as at 31 March 2011 £000s
Central government bodies	1,752	15,606
Other local authorities	1,400	3,174
Other entities and individuals	8,983	8,804
Total	**12,135**	**27,584**

21. PROVISIONS

The total values for Provisions held at 31 March 2012 are shown in the table below. Provisions for doubtful debts relating to debtors are disclosed separately on the Balance Sheet and are not included within this table.

	Other Provisions £000s	Total £000s
Balance as at 31 March 2010	**0**	**0**
Additional provisions made in 2010/11	117	117
Amounts used in 2010/11	-	-
Unused amounts reversed in 2010/11	-	-
Balance as at 31 March 2011	**117**	**117**
Additional provisions made in 2011/12	-	-
Amounts used in 2011/12	-	-
Unused amounts reversed in 2011/12	-	-
Balance as at 31 March 2012	**117**	**117**

There are no provisions required to be held by the Council in relation to either outstanding legal cases or injury and damage compensation claims. Other provisions are held, as set out below:

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 was established during 2010/11 in order to provide up to the maximum total potential future liability for reimbursement of search fees. As at 31 March 2012, this provision has not been drawn upon.

22. USABLE RESERVES

The Council holds a number of usable reserves (money set aside to fund future revenue and capital projects). Some reserves are held for statutory purposes or for expenditure outside the Council's control, and are referred to as unusable reserves (see Note 23, below).

Harlow Council's usable reserve balances as at 31 March 2012 total £23,598,000 (£12,801,000 as at 31 March 2011) and are listed in the table below:

	2011/12 £000s	**2010/11** £000s
General Fund Balance	3,267	3,363
HRA Balance	3,350	2,768
Capital Grants Unapplied	8,043	68
Earmarked Reserves (detailed in Note 7):		
General Fund	4,957	3,386
HRA	3,047	3,216
Earmarked Grants Reserves	934	-
Total Usable Reserves at end of the year (31 March)	**23,598**	**12,801**

Reserve Descriptions:

General Fund Balance - The main revenue fund of a local authority. All day-to-day spending on services is met from this account, apart from those housing services that must be charged to the HRA.

Housing Revenue Account (HRA) - An account kept by local authorities in accordance with the Housing Act 1989, as amended, setting out expenditure and income from local authority social housing. The account is ring-fenced and cannot be subsidised from other local authority accounts.

Capital Grants Unapplied - These amounts have been credited to the Comprehensive Income and Expenditure Statement but not yet applied to fund expenditure. Statutory adjustments against the General Fund and HRA balances result in them being posted to this usable capital reserve until the relevant expenditure is incurred.

Earmarked Reserves - Details of the Council's Usable Earmarked Reserves are set out in

Note 7; they are also shown in the Movement in Reserves Statement alongside the General Fund Balance and Housing Revenue Account Balance.

23. UNUSABLE RESERVES

	Balance as at 31 March 2012	Balance as at 31 March 2011 (restated)	Balance as at 31 March 2011
	£000s	£000s	£000s
Revaluation Reserve	77,424	38,619	38,007
Capital Adjustment Account	317,600	540,470	540,470
Deferred Capital Receipts Reserve	948	256	256
Pensions Reserve	(86,463)	(66,744)	(66,744)
Collection Fund Adjustment Account	(80)	(82)	(82)
Accumulated Absences Account	(57)	(54)	(54)
Total Unusable Reserves	**309,372**	**512,465**	**511,853**

a. Revaluation Reserve

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

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

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

	2011/12		2010/11 restated	2010/11
	£000s	£000s	£000s	£000s
Balance at 1 April		**38,618**	**89,667**	**89,667**
Upward revaluation of assets	47,840		10,420	9,808
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0		(46,508)	(46,508)
		47,840		
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(128)			
Difference between fair value depreciation and historical cost depreciation	(7,898)		(11,172)	(11,172)
Accumulated gains on assets sold or scrapped	(1,008)		(3,789)	(3,789)
Amount written off to the Capital Adjustment Account		(9,034)		
Balance as at 31 March		**77,424**	**38,618**	**38,006**

b. Capital Adjustment Account

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

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

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2011/12		2010/11
	£000s	£000s	£000s
Balance at 1 April		**540,471**	**623,526**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
- Charges for depreciation and impairment of non-current assets	(21,876)		(26,860)
- Revaluation losses on Property, Plant and Equipment	(10,000)		(73,245)
- Amortisation of intangible assets	(462)		(415)
- Revenue expenditure funded from capital under statute	(28)		(123)
- Payment to CLG in respect of HRA borrowing (REFCUS)	(208,837)		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	(1,132)		(2,770)
		(242,335)	
Adjusting amounts written out of the Revaluation Reserve		9,034	1,088
Net written out amount of the cost of non-current assets consumed in the year		(233,301)	
Capital financing applied in the year:			
- Use of the Capital Receipts Reserve to finance new capital expenditure	479		4,583
- Use of the Major Repairs Reserve to finance new capital expenditure	7,676		7,467
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,967		1,248
- Application of grants to capital financing from the Capital Grants Unapplied Account	0		2
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	332		311
- Capital expenditure charged against the General Fund and HRA balances	56		125
		10,511	
Movements in the market value of Investment Properties debited or credited to the comprehensive Income and Expenditure Statement		(80)	5,534
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0	0
Balance as at 31 March		**317,600**	**540,471**

c. Pensions Reserve

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

	2011/12 £000s	**2010/11** £000s
Balance at 1 April	**(66,744)**	**(85,661)**
Actuarial gains or losses on pensions assets and liabilities	(20,468)	9,394
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	(4,042)	4,292
Employer's pensions contributions and direct payments to pensioners payable in the year	4,791	5,231
Balance as at 31 March	**(86,463)**	**(66,744)**

d. 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 Council 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.

	2011/12 £000s	**2010/11** £000s
Balance at 1 April	**256**	**216**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	692	40
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
Balance as at 31 March	**948**	**256**

e. 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.

	2011/12 £000s	2010/11 £000s
Balance at 1 April	**(82)**	**(43)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	2	(39)
Balance as at 31 March	**(80)**	**(82)**

f. 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.

	2011/12 £000s		2010/11 £000s
Balance at 1 April		**(54)**	**(96)**
Settlement or cancellation of accrual made at the end of the preceding year	54		0
Amounts accrued at the end of the current year	(57)		42
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(3)	
Balance as at 31 March		**(57)**	**(54)**

24. OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2011/12 £000s	2010/11 £000s
Interest Received	(41)	(161)
Interest Paid	534	437
Dividends Received	0	0
Net Cash Flows from Operating Activities	**493**	**276**

25. INVESTING ACTIVITIES

	2011/12 £000s	2010/11 £000s
Purchase of property, plant and equipment, investment property and intangible assets	15,043	16,416
Purchase of short-term and long-term investments	3,000	0
Other payments for investing activities	0	100
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,494)	(5,741)
Proceeds from short-term and long-term investments	0	0
Other receipts from investing activities	(3,334)	(1,379)
Net Cash Flows from Investing Activities	**13,215**	**9,396**

26. FINANCING ACTIVITIES

	2011/12 £000s	2010/11 £000s
Cash receipts of short- and long-term borrowing	(208,837)	0
Other receipts from financing activities	(2,649)	(2,914)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	327	311
Repayments / (Payment) of short- and long-term borrowing	66	59
Other payments for financing activities	(47)	0
Net Cash Flows from Financing Activities	**(211,140)**	**(2,544)**

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Cabinet on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to services.

The Income and Expenditure of the Council's principal services, is as follows:

The table overleaf sets out the year-end reporting segments that are recorded in the budget reports for the year, 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.

2011-12 Portfolio Income and Expenditure	General Fund							HRA	Total all Funds
	Commun-ity £000s	Corporate Services £000s	Finance £000s	Govern-ance £000s	Growth & Regenera-tion £000s	Housing (GF) £000s	Regulation £000s	HRA £000s	£000s
Fees, charges and other service income	(2,893)	(454)	(5,715)	(3,583)	(7,035)	(1,352)	(21,418)	(48,322)	(90,772)
Government grants	(1,719)	0	(46,796)	(7)	(1,079)	(643)	(103)	(159)	(50,506)
Total income	(4,612)	(454)	(52,511)	(3,590)	(8,114)	(1,995)	(21,521)	(48,481)	(141,278)
Employee expenses	3,459	326	6,038	1,730	1,266	1,163	2,006	4,307	20,295
Support service recharges	1,537	108	2,798	1,329	1,189	557	1,164	3,820	12,502
Other service expenses	2,894	(213)	46,982	1,224	5,420	1,245	26,255	267,425	351,232
Total expenditure	7,890	221	55,818	4,283	7,875	2,965	29,425	275,552	384,029
Net Cost of Services									**242,751**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

2011-12	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges and other service income	(90,772)		(90,772)
Interest and investment income		(1,266)	(1,266)
Income from Council Tax		(7,179)	(7,179)
Government grants and contributions	(50,506)	(18,375)	(68,881)
Total income	(141,278)	(26,820)	(168,098)
Employee expenses	20,295		20,295
Other service expenses	12,502		12,502
Support service recharges	351,232		351,232
Interest payments		2,883	2,883
Payments to Housing Capital Receipts Pool		1,119	1,119
Gain or Loss on Disposal of Non-current Assets		(125)	(125)
Total expenditure	384,029	3,877	387,906
Surplus or deficit on the provision of services	242,751	(22,943)	219,808

2010-11 Comparative Figures	General Fund							HRA	
Portfolio Income and Expenditure	Commun-ity £000s	Corporate Services £000s	Finance £000s	Govern-ance £000s	Growth & Regenera-tion £000s	Housing (GF) £000s	Regulation £000s	HRA £000s	Total all Funds £000s
Income									
Fees, charges and other	(2,997)	(1,926)	(4,274)	(3,900)	(8,979)	(1,351)	(21,447)	(44,912)	(89,786)
Government grants	(2,567)	0	(44,353)	(42)	(96)	(555)	(178)	0	(47,791)
Total income	(5,564)	(1,926)	(48,627)	(3,942)	(9,075)	(1,906)	(21,625)	(44,912)	(137,577)
Expenditure									
Employee expenses	3,894	659	6,139	1,990	1,555	1,273	2,374	4,132	22,016
Other service expenses	5,072	1,061	43,625	1,358	2,567	1,259	24,613	4,399	14,090
Support service recharges	1,721	194	1,449	2,871	1,667	608	1,181	35,845	115,400
Total expenditure	10,687	1,914	51,213	6,219	5,789	3,140	28,168	44,376	151,506
Net Cost of Services									**13,929**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice.

However, decisions about resource allocation are taken by the Authority's Senior Management and Members on the basis of budget reports analysed across Service. These reports are prepared on a different basis from the accounting policies used in the financial statements, the primary difference being that the cost of retirement benefits reported to members is based on cash payable in the year (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year in accordance with IAS 19.

The following reconciliation shows how the figures in the analysis of Portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Comprehensive Income and Expenditure Account		
	£000s	£000s
Net Cost of Services		13,929
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Portfolio Analysis:		
Pension Fund - Reduction in Past Service Costs (RPI to CPI)		(10,399)
Current Service Costs - Pensions		1,965
HRA - Depreciation & Impairment		72,422
HRA - Amortisation of Intangible Assets		257
HRA - Capital Grants and Contributions receivable		(683)
VAT Refund		(568)
Bad debt provision (GF only as HRA is in figures above net cost of services)		(297)
Area Based Grant		(128)
Miscellaneous Items		(1,315)
Amounts included in the Portfolio Analysis not included in the Comprehensive Income and Expenditure Statement:		
Pension fund payments payable in year		(5,231)
Investment properties adjustment (treated as investment income)	7,291	
Less Actual rental income which was reported in budget reporting	(1,757)	5,534
Net After Adjustments to Segmental Reporting		**75,486**
Comprehensive Income and Expenditure Account		
Net Cost of Services		**75,486**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010-11	Portfolio Analysis £000s	Amounts not reported to Management for Decision Making £000s	Amounts included in Portfolio Analysis but not included in CI&E £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges and other service income	(89,786)			(89,786)		(89,786)
Interest and investment income				0	(7,355)	(7,355)
Income from council tax				0	(7,102)	(7,102)
Government grants and contributions	(47,791)	(683)		(48,474)	(11,695)	(60,169)
Pension adjustments		(8,434)	(5,231)	(13,665)	4,142	(9,523)
VAT refund		(568)		(568)		(568)
Other minor adjustments		(1,740)		(1,740)		(1,740)
Total income	(137,577)	(11,425)	(5,231)	(154,233)	(22,010)	(176,243)
Employee expenses	22,016			22,016		22,016
Other service expenses	14,090			14,090		14,090
Support service recharges	115,400			115,400		115,400
Depreciation, amortisation and impairment		72,679		72,679		72,679
Interest payments				0	411	411
Payments to Housing Capital Receipts Pool				0	1,158	1,158
Gain or Loss on Disposal of Non-current Assets				0	818	818
Surplus or deficit on associates and joint ventures				0	29,442	29,442
Investment properties adjustment			5,534	5,534		5,534
Total expenditure	151,506	72,679	5,534	229,719	31,829	261,548
Surplus or deficit on the provision of services	13,929	61,254	303	75,486	9,819	85,305

28. DISCONTINUED OPERATIONS

The Council has sought to embrace the "Big Society" initiative and to transfer the running of discretionary services to the community. Whilst the transfer of these services is envisaged to provide budget savings, provision of the services has been safeguarded through the creation of a Big Society Reserve totalling £1.0 million. This fund will be used when necessary to ensure third parties taking on responsibilities for these services are supported whilst they establish themselves and the relevant management and funding arrangements to ensure long term success of the transferred services. It is anticipated that the reserve will be fully utilised by 2014/15.

Four of these discretionary services transferred to local and not-for-profit organisations on 1 April 2012, as follows:

Museum Service

The Museum Service was transferred across to Science Alive, a local charity, from 1 April 2012. Science Alive has provided the Council with a five year business plan which demonstrates that the service can become cost neutral to the Council when the funding from the Big Society Fund ceases after three years.

Parndon Wood Nature Reserve

Parndon Wood Nature Reserve passed to Environmental Conservation Co-operative (ECCO) from 1 April 2012.

ECCO propose to keep the service almost exactly as it is at present for the first year of operation, but over time aims to develop more income through activities and catering facilities, to ensure its sustainability when funding from the Big Society Fund ceases after three years.

The Events Service

The Events service passed to Great Parndon Community Association (GPCA) from 1 April 2012. The Events service consists of the Bandstand, Showground activities and the Firework display.

GPCA will run the service along very similar lines to when it was under the management of the Council, but aims to develop greater use of the facilities over time. The organisation wishes to work with other voluntary sector organisations to see greater use of both the bandstand and the showground, and aims to see the return of an event similar to the Town Show, albeit on a smaller scale.

The Council will work alongside GPCA in relation to the Fireworks Display in the first year, to help develop expertise in the organisation and to ensure that all health and safety considerations are addressed.

The Arts Service

A partnership approach with the Harlow Arts Trust was already being developed since the end of 2011 with the Gallery being managed by an officer employed by the Trust.

The Art Trust proposes to enable the continuation of a range of exhibitions and activities in the Gibberd Gallery. The Trust is keen to explore ways of raising awareness of the service and encouraging greater take-up.

Part of the art collection is owned by the Council and will continue to be, whilst the remaining part is owned by the Art Trust. The Council will continue to insure all parts of the collection.

29. ACCOUNTING STANDARDS ISSUED NOT ADOPTED

On the 7 October 2010 the IASB issued amendments to IFRS 7 Financial instruments: Disclosures as part of its comprehensive review of off balance sheet activities.

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the asset. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of the reporting period.

The adoption of IFRS 7 by Harlow District Council will take effect from 1 April 2012, and as such will be a change in accounting policy. However, Harlow Council does not actively employ any form of securitisation and therefore this standard will not have a material impact on the financial statements of the Authority.

30. MEMBERS' ALLOWANCES

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

	2011/12	**2010/11**
	£000s	£000s
Allowances	179	180
Expenses	7	9
Total	**186**	**189**

31. OFFICERS' REMUNERATION

Senior Employees

The remuneration paid to the Council's senior employees in 2011/12, including comparatives for 2010/11, was as follows:

Post Title	Notes	Salary (Including fees & Allowances)	Total Remuneration excluding pension contributions 2011/12	Pension contributions	Total Remuneration including pension contributions 2011/12
2011/12		£	£	£	£
Chief Executive		141,279	141,279	17,377	158,656
Strategic Director		124,223	124,223	1,560	125,783
Chief Operating Officer		104,658	104,658	12,873	117,531
Assistant Chief Executive (Regeneration and Enterprise)		77,879	77,879	9,579	87,458
Head Of Community and Customer Service		76,035	76,035	9,352	85,387
Head Of Housing		76,035	76,035	9,352	85,387
Head Of Regulation		76,035	76,035	9,352	85,387
Head Of Governance		76,035	76,035	9,352	85,387
Head Of Finance		72,445	72,445	8,911	81,356
		824,624	824,624	87,708	912,332

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		100,935	100,935	12,617	113,552
Strategic Director		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		54,590	54,590	6,824	61,414
		781,701	781,701	97,713	879,414

The table below shows the number of Council officers whose remuneration exceeded £50,000 (excluding employer's pension contributions), and is grouped into £5,000 bands. Staff listed as senior officers (above) are also included in the Banding figures.

Remuneration band	Number of Employees 2011/12 Total	Number of Employees 2011/12 Left During Year	2010/11 Total	2010/11 Left During Year
£50,000 – £54,999	7	1	8	3
£55,000 – £59,999	1		3	1
£60,000 – £64,999	1		1	
£65,000 – £69,999	0		0	
£70,000 – £74,999	1		0	
£75,000 – £79,999	5		5	
£80,000 – £84,999	0		0	
£85,000 – £89,999	0		0	
£90,000 – £94,999	0		0	
£95,000 – £99,999	0		0	
£100,000 – £104,999	1		2	
£105,000 – £109,999	0		0	
£110,000 – £114,999	0		0	
£115,000 – £119,999	0		0	
£120,000 – £124,999	1	1	0	
£125,000 – £129,999	0		0	
£130,000 – £134,999	0		0	
£135,000 – £139,999	0		1	
£140,000 – £144,999	1		0	

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

[a] Exit package cost band (including special payments)	[b] Number of Compulsory Redundancies 2011/12	[b] 2010/11	[c] Number of Other Departures Agreed 2011/12	[c] 2010/11	[d] Total Number of Exit Packages by Cost Band ([b] + [c]) 2011/12	[d] 2010/11	[e] Total Cost of Exit Packages in Each Band 2011/12	[e] 2010/11
£0 - £20,000	11	22	1	3	12	25	£82,121	£112,941
£20,001 - £150,000	3	5	0	0	3	5	£196,032	£123,720
Total	14	27	1	3	15	30	£278,153	£236,661

32. 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 other services provided by the Council's external auditors:

	2011/12 £000s	2010/11 £000s
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	157	167
Fees payable to the Audit Commission in respect of statutory inspections	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	66	70
Additional fees payable in respect of audit work provided by the Audit Commission relating to the previous year	15	5
Total	**238**	**242**

The fees for other services payable in both 2010/11 and 2011/12 related to additional fees payable in respect of 2009/10 and 2010/11.

33. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12 (see overleaf):

	2011/12 £000s	2010/11 £000s
Grants Credited to Taxation and Non-specific Grant Income		
National Non-Domestic Rates	4,853	7,774
Revenue Support Grant	1,500	1,129
Transition Grant	118	0
Council Tax Freeze Grant	180	0
New Homes Bonus Grant	232	0
ECC Second Homes Discount Grant	18	21
Area Based Grant	0	128
Capital Grants	11,777	1,255
Total	**18,678**	**10,307**
Grants Credited to Services		
Rent Allowances	15,507	14,837
Rent Rebates	21,521	20,619
Council Tax Benefits	8,713	8,641
Housing Benefit Administration	864	914
NNDR Empty Properties	2	7
Sheltered Employment	0	70
Business Rates	0	131
Local Housing Allowance	20	29
Homelessness	170	81
Future Jobs Fund	447	683
New Deal	0	1
ESA Implementation	24	10
Crime Reduction Programme	41	170
New Burdens Habitats	0	9
Growth Fund	16	231
Housing Recession	8	0
Performance Reward	9	0
Housing Research	17	0
Rent Deposit	34	0
Repossession Prevention	98	0
Concessionary Travel	0	370
Growth Area Funding / Programme of Development	430	346
Revenues & Benefits Support	6	0
Benefit Fraud	8	0
Appeals & Overpayments	2	0
Council Tax	2	0
Sport England	2	0
West Essex Partnership	90	0
Total	**48,031**	**47,149**

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

Current Liabilities

	2011/12 £000s	2010/11 £000s
Grants Receipts in Advance (Capital Grants)		
English Partnership Pitch Regeneration	799	835
English Heritage Old Harlow High Street	8	0
Programme of Development - external partners	3,263	0
Total	**4,070**	**835**

34. RELATED PARTIES

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

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. Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 33.

Essex County Council - Harlow Council undertakes a wide variety of work in conjunction with Essex County Council. The County Council also administers the Council's local government pension scheme.

Members / Officers - Members are responsible for the direct control of the policies of the Council. During 2011/12 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 2011/12 is available on the Council's website at the following internet address:

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 highlighted separately elsewhere within the Statement of Accounts arose as follows:

	Income £000s	Expenditure £000s	Debtors Outstanding as at 31 Mar 2012 £000s	Creditors Outstanding as at 31 Mar 2012 £000s
Essex County Council	(3,247)	186	352	(242)
Essex Police Authority	(2)	3	1	(30)
Essex Fire Authority		8		
Harlow College One Member serves as a Governor at the College.				
Harlow Council Regeneration Ltd Five Members serve as Directors on 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.		239	1	(1)
Harlow Occupational Health Service		18		
Harlow Renaissance		81		
Harlow Sports Trust (Incl Leisurezone) Two Members were appointed by the Council to be its representatives on the Trust's Executive Board during 2011/12, and one further member appointed to the Trust's Management and Finance Committee & Executive Board.	(60)	452	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.	(94)	25,196	99	(1,829)
Streets 2 Homes One Member is Chairman of this Organisation		30		
Veolia Board Two Members were appointed by the Council to be its representatives on the Board during 2011/12		2,945	45	(247)
	(3,403)	29,158	513	(2,364)

35. 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), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2011/12 £000s	2010/11 £000s
Opening Capital Financing Requirement	**14,642**	**13,711**
Capital Investment		
Property Plant and Equipment	13,541	13,954
Investment Properties	96	115
Intangible Assets	580	406
Revenue Expenditure funded from Capital under Statute	210,756	2,059
Total Capital Investment	224,973	16,534
Sources of Finance		
Capital Receipts	(480)	(4,583)
Major Repairs Reserve	(7,676)	(7,467)
Government Grants and Other Contributions	(3,829)	(3,116)
Sums Set Aside from Revenue	0	(1)
Direct Revenue Contributions	(55)	(125)
MRP/ Loans Fund Principal	(332)	(311)
Total Sources of Finance	(12,372)	(15,603)
Closing Capital Financing Requirement	**227,243**	**14,642**
Explanation of Movements in Year		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	212,933	1,242
Assets acquired under finance leases	(332)	(311)
Increase/(decrease) in Capital Financing Requirement	**212,601**	**931**

36. LEASES

Council as Lessee

FINANCE LEASES

The Council has acquired an administrative building and vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012 £000s	31 March 2011 £000s
Other Land and Buildings	95	97
Vehicles, Plant, Furniture and Equipment	1,788	2,146
	1,883	**2,243**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following:

	31 March 2012 £000s	31 March 2011 £000s
Finance lease liabilities (net present value of minimum lease payments):		
- current	355	332
- non-current	1,410	1,765
Finance costs payable in future years	522	663
Minimum Lease Payments	**2,287**	**2,760**

The minimum lease payments are payable over the following periods:

	Minumim Lease Payments		Finance Lease Payments	
	31 March 2012 £000s	31 March 2011 £000s	31 March 2012 £000s	31 March 2011 £000s
Not later than one year	474	474	355	332
Later than one year and not later than five years	1,543	1,894	1,326	1,570
Later than five years	270	392	84	194
	2,287	**2,760**	**1,765**	**2,096**

OPERATING LEASES

The Council has operating leases for photocopiers, vending machines and other sanitary related equipment. The future minimum lease payments under the non cancellable leases, is shown in the table below.

	31 March 2012 £000s	31 March 2011 £000s
Not later than one year	31	39
Later than one year and not later than five years	78	38
Later than five years	0	1
	109	**78**

The above Operating Leases are all in the secondary rental period, and therefore no split between capital and interest is required. The above payments are charged to Service Accounts.

	31 March 2012 £000s	31 March 2011 £000s
Not later than one year	125	128
Later than one year and not later than five years	226	300
Later than five years	108	159
	458	**586**

The above relates to property leased in on operational leases.

The expenditure charged to the Cultural & Related Services and Environmental & Regulatory Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2011/12 £000s	2010/11 £000s
Minimum lease payments	52	45
	52	**45**

Council as Lessor

OPERATING LEASES

The Council leases out Property and Equipment under Operational Leases. These include shorter term leases, where the risks and rewards are retained by the Council. The future minimum lease payments receivable are stated, as well as the expected estimated continuation of the leases over the remaining lives of the asset:

	31 March 2012 £000s	31 March 2011 £000s
Not later than one year	891	911
Later than one year and not later than five years	3,047	3,185
Later than five years	3,616	4,221
	7,554	**8,317**

The above table relates to Property leases where the Council is lessor on operational leases.

37. IMPAIRMENT LOSSES

Impairment losses during 2011-12 are included in Note 11. Assets may be impaired in one of two ways: (1) a downward revaluation of an asset due to economic changes; (2) an event which has caused the value of the asset to significantly deteriorate. In the latter instance, during 2011/12, two properties were subject to an arson attack. This diminished their value by £48,000.

38. TERMINATION BENEFITS

Termination Benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date. These costs are required to be met immediately.

The Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £278,153 (£236,661 in 2010/11), as part of the Council's rationalization of services – see note 31 for number of exit packages and total cost per band. Some bandings have been combined to ensure that individual exit packages cannot be identified.

39. DEFINED BENEFIT PENSION SCHEME

Participation in the Pension Scheme

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

Harlow Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Essex County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions Relating to Post Employment Benefits

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

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2011/12	**2010/11**	**2011/12**	**2010/11**
	£000s	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• Current Service Cost	1,618	1,965	0	0
• Past Service Cost	0	(9,880)	0	(566)
• Settlements and Curtailments	75	47	0	0
Financing and Investment Income and Expenditure:				
• Interest Cost	9,094	9,600	545	642
• Expected Return on Scheme Assets	(6,745)	(6,100)	0	0
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,042	(4,368)	545	76
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement:				
• Actuarial gains and losses	(14,841)	8,503	(1,242)	891
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(10,799)**	**4,135**	**(697)**	**967**
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	4,042	4,292	0	0
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	4,791	5,231	0	0
• Retirement benefits payable to pensioners			(747)	738

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement in the "actuarial gains or losses on pensions assets and liabilities" line as at 31 March 2012 was a loss of £20,468,000 (as at 31 March 2011 it was a gain of £9,394,000).

Liabilities in Relation to Post-employment Benefits

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2011/12	**2010/11**	**2011/12**	**2010/11**
	£000s	£000s	£000s	£000s
Opening balance at 1 April	**156,771**	**173,123**	**10,280**	**11,833**
Current service cost	1,618	1,965	0	0
Interest cost	8,549	9,600	545	642
Contributions by scheme participants	642	710	0	0
Actuarial gains and losses	13,599	(12,717)	1,242	(891)
Benefits paid	(5,032)	(6,077)	(747)	(738)
Past service costs	0	(9,880)	0	(566)
Entity combinations	0	0	0	0
Curtailments	75	47	0	0
Settlements	0	0	0	0
Closing balance at 31 March	**176,222**	**156,771**	**11,320**	**10,280**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2011/12	**2010/11**
	£000s	£000s
Opening balance at 1 April	**100,307**	**99,295**
Expected rate of return	6,745	6,100
Actuarial gains and losses	(5,627)	(4,214)
Employer contributions	4,791	5,231
Contributions by scheme participants	642	710
Benefits paid	(5,779)	(6,815)
Entity combinations	0	0
Settlements	0	0
Closing balance at 31 March	**101,079**	**100,307**

The funded liabilities have increased by £19.5m, while assets have increased by £0.8m to a net increase in funded liabilities of £18.7m.

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

The actual return on scheme assets in the year was £1,118,000 (2010/11: £9,490,000).

Scheme History

	2007/08 £000s	**2008/09** £000s	**2009/10** £000s	**2010/11** £000s	**2011/12** £000s
Present Value of Liabilities:					
Local Government Pension Scheme	153,150	130,429	173,123	156,771	176,222
Discretionary Benefits	11,665	9,394	11,833	10,280	11,320
Fair value of assets in the Local Government Pension Scheme	(95,062)	(74,120)	(99,295)	(100,307)	(101,079)
	69,753	65,703	85,661	66,744	86,463
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	57,908	56,309	73,778	56,464	75,143
Discretionary Benefits	11,665	9,394	11,883	10,280	11,320
Total	**69,573**	**65,703**	**85,661**	**66,744**	**86,463**

The scheme deficit has fluctuated over the five year period and now rests at its highest level of £86.5 million.

The liabilities show that the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £187,542,000 has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £86,463,000. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £4,065,000. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 are £778.000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension scheme's liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2011/12	**2010/11**
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.4%	7.5%
Government Bonds	3.3%	4.4%
Other Bonds	4.6%	5.1%
Property	5.4%	6.5%
Cash/ Liquidity	0.5%	0.5%
Other Assets	n/a	n/a
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	22.7	22.6
- Women	25.3	25.2
Longevity at 65 for future pensioners:		
- Men	24.1	24.0
- Women	26.8	26.8
Rates of Inflation:		
RPI	3.3%	3.4%
CPI	2.5%	2.9%
Rate of increase in salaries	4.3%	4.4%
Rate of increase in pensions	2.5%	2.9%
Rate for discounting scheme liabilities	4.6%	5.5%
Take-up of option to convert annual pension into retirement	50.0%	50.0%

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

Proportion of Total Assets held:	2011/12	2010/11
Equity investments	70%	69%
Gilts	4%	7%
Other Bonds	10%	10%
Property	14%	11%
Cash/ Liquidity	2%	3%
Other Assets	0%	0%
	100%	100%

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 31 March 2010.

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
Differences between the expected and actual return on assets	-11.5%	-35.7%	21.2%	4.2%	-5.6%
Experience gains and losses on liabilities	-2.8%	0.0%	0.0%	8.0%	-0.4%

40. 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 insures various risks with Zurich Municipal. The Council operates an Insurance Fund to cover insurance losses relating to each of the General Fund and Housing Revenue Account. The Insurance Fund covers some small claims and that part of larger claims which fall within property and liability insurance policy excesses. The combined Fund balance as at 31 March 2012 was £1,721,000 (£1,473,000 at 31 March 2011). 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 £1,080,000 in respect of potential liabilities associated with MMI as at 31 March 2012 (as at 31 March 2011 £980,000). Furthermore, a £100,000 contribution per annum is currently provided for in respect of future liabilities arising from potential claims. The accumulation in reserve balance follows independent actuarial consultation and is in anticipation of the increasing likelihood of the MMI Scheme of Arrangement being triggered. In a legal judgment in respect of Employers' Liability Policy Trigger Litigation relating to mesothelioma claims handed down on 28 March 2012, the Supreme Court found against MMI. In a statement dated 26 April 2012, MMI advised that legal, financial and actuarial advice was now being sought to determine the full implications and most appropriate way forward for MMI. While the likelihood of the Scheme being triggered has significantly increased, the timing and total costs that could be passed to the Council still remain uncertain. However, in its latest scheme statement as at 31 March 2012, MMI indicates that the maximum claims which could potentially be required to be returned to MMI from Harlow District Council, should the Scheme be triggered, could amount to £1,232,000 (that maximum being based on 100% claw back). Future claims' liabilities are reserved at £158,635. The Council continues to keep the matter under close review.

Guarantees

In 1987 and 1992 the Council agreed to undertake joint liability with a number of other local authorities to guarantee loans of £66.3 million and £17.3 million 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 £4.5 million. No fair value for the guarantee has been included under Financial Instruments as the Council considers that the probability of the guarantee being called upon is low.

Employment Tribunals

There is one ongoing employment tribunal case relating to an employee whose termination date from the Council was prior to 31 March 2012.

41. 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.

The Council, as a creditor of the Bank of Credit and Commerce International SA (BCCI), has been informed that it is due to receive a dividend during the course of 2012. The final sum due to be received by the Council cannot yet be determined with certainty by the Liquidators of BCCI.

42. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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 required 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 rate 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 meeting or before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy Statement (TMSS), which details the 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 TMSS (covering 2011/12), which incorporates the prudential indicators, was approved by Council on 10 February 2011 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit - this is the maximum limit of external borrowings or other long-term liabilities. In the original TMSS for 2011/12, this was set at £35million, and revised in the Mid-Year Review of the TMSS to £255.0 million. The increase reflects the impact of new borrowing following the introduction of HRA self-financing by the Government.
- The Operational Boundary - this is the expected level of debt and other long-term liabilities during the year. The original TMSS expected this to be £26 million, whilst the Mid-Year Review revised this to £225.8 million, again reflecting HRA self-financing.

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 Treasury Management 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 for 2011/12, which was approved by Full Council on 10 February 2011, can be found on the Council's website.

The 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).

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 Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to 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 Council's deposits, but there was no evidence at the 31 March 2012 that this was likely to arise.

The Council does not generally allow credit for its customers. As at 31 March 2012, £5.2 million of the £10.2 million balance is past its due date for payment. The total outstanding debt amount can be analysed by age as follows, assuming that all manually accrued items are less than three months outstanding:

	31 March 2012 £000s	31 March 2011 £000s
Less than three months	716	1,479
Three to five months	316	316
More than 5 months	4,202	6,432
Total	**5,234**	**8,227**

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 Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council has access to the money markets to cover any day-to-day cash flow needs, and the Public Works Loan Board (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 liabilities is as follows:

PWLB Debt	31 March 2012 £000s	31 March 2011 £000s
Less than 1 year	2,800	0
1 to 2 years	0	2,800
2 to 5 years	0	0
5 to 10 years	0	0
10 to 20 years	83,535	0
20 to 30 years	125,302	0
30 to 40 years	3,000	3,000
Total	**214,637**	**5,800**

Under requirements of the Localism Act and a new system of housing finance called Self Financing, English councils have taken control of their housing rental income enabling them to plan effectively for the long term management of their key assets. As a result, Harlow Council borrowed the sum of £208,837,000 from PWLB in March 2012 when it took its share of the £28bn housing debt as part of the national Self Financing settlement to end the old Housing Revenue Account Subsidy system. Hence, the level of PWLB debt shown in the above table has increased significantly from £5.8 million as at 31 March 2011 to £214.6 million as at 31 March 2012.

In accordance with proper accounting practice, the Balance Sheet separates out short-term borrowing, being amounts borrowed with less than 1 year to maturity, and adds to this sum any accrued interest due which has not yet been required to be paid to the lender. Thus the Council has short-term borrowing of £2,800,000 as at 31 March 2012, to which is added £85,000 accrued interest, making a total of £2,885,000 short-term borrowing, as shown on the Balance Sheet. This accrued interest is not shown in the above table. Long-term borrowing (that is with a maturity in excess of 1 year) totals £211,837,000 in the Balance Sheet.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. During 2011/12, there have been two key features of the Council's Treasury Management Strategy:

- To reduce reliance on external borrowing by utilising investment balances to meet the borrowing needs of the capital programme. This has provided protection against investment losses in the event of the potential failure of any financial institution.
- To protect the Council's longer-term position in relation to borrowing for HRA self-financing, advantage has been taken of the lowest historic long-term interest rates for fixed new borrowing, which was taken in March 2012. The portfolio of borrowing was aligned with the Council's 30-year HRA Business Plan, allowing for periodic repayments of debt as the need for borrowing dropped out, whilst ensuring that a sufficient level of borrowing remained in place in order to meet the requirements of long-term investment in the HRA housing stock.

The Council's treasury team systematically works closely with its treasury management advisors, Sector, in reviewing the status of loans and investments, which includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and the spread of longer-term

investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Full Council in the Treasury Management Strategy 10 February 2011):

Maturity Profile for External Borrowing	Approved Minimum Limits	Approved Maximum Limits	31 March 2012	31 March 2011
			£000s	£000s
Less than 1 year	0%	100%	2,800	0
1 to 2 years	0%	100%	0	2,800
2 to 5 years	0%	100%	0	0
5 to 10 years	0%	100%	0	0
More than 10 years	0%	100%	211,837	3,000
Total			**214,637**	**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.

During 2011/12, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been for the Council's net investment income to increase by £112,000 (in 2010/11 the increase would have been £90,000). Due to the fixed nature of the Council's borrowing, no impact would have resulted from a change in interest rates for borrowing.

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

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 which is administered by Essex County Council, does not invest in equity shares or marketable bonds.

Foreign Exchange Risk - The Council does not hold any financial assets or liabilities denominated in foreign currencies as part of its continuing operations. However, the Council may receive very occasional sums in foreign currencies from time to time. In such instances, cash settlements for such transactions are converted into GBP Sterling upon receipt. Thus there is no exposure to loss arising from movements in exchange rates as a result of holding cash denominated in foreign currencies.

43. OTHER LONG-TERM BORROWING

	Balance as at 31 March 2012	**Balance as at 31 March 2011 (restated)**	**Balance as at 31 March 2011**
	£000s	£000s	£000s
Pension Scheme - Long-term Liabilities	86,463	66,744	66,744
Long-term Finance Lease Obligations	1,410	1,760	0
Other Long-Term Liabilities	106	246	0
Total Unusable Reserves	**87,979**	**68,750**	**66,744**

44. HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS

Policy of Acquisition, Preservation, Management and Disposal of Heritage Assets:

Fine Arts including Sculpture, Civic Gifts and Regalia are acquired by donation and as gifts to the Council. Through the insurance valuation a record is maintained of the art works and sculptures held. In addition the gifts received have been catalogued for reference. Any acquisitions would be by donation and there is little scope for disposal, however, policies to acquire, preserve, manage and dispose of any such assets would be in accordance with financial regulations.

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

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

Access to the Collections:
The Collection of Fine Arts including Sculpture, owned by the Council and listed on the insurance schedule includes 63 pictures and models including small sculptures, 54 of which are on display to the public in the Gibberd Gallery at the Civic Centre with the remaining 9 in storage.

In addition Harlow Council has a variety of gifts it has received some of which are on display to the public in the Civic Centre, however, many of the gifts are held in storage.

Only a small part of the total Collection of Museum Artefacts is on display, the remainder being in storage at the Museum. However, any item may be viewed by appointment.

Heritage Assets not reported in the Balance Sheet:

Heritage Assets that are not reported on the balance sheet are those for which there are no comparable market values, and cost records do not exist. The cost of providing a balance sheet valuation would be disproportionate to any benefit to the user of the Council's financial statements and therefore are excluded from the balance sheet. In effect these are the historical assets which are part of the fabric of Harlow and form a small proportion of the Council's overall holding of Heritage Assets.

Donated Heritage Assets:

No Heritage Assets have been donated in the financial year 2011/12. Any donated assets would be recognised at valuation provided by a responsible officer or by external valuers and with reference to appropriate commercial markets. However, if the value was deemed to be immaterial then the asset would be disclosed in the accounts as such. All donated assets of value would be included in the insurance valuation appropriate to the type of asset received.

Further details of Harlow Council's Heritage Assets are given in the Notes to the Core Financial Statements and at Note 12 to the Accounts.

45. HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE OF PRACTICE FOR LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the Council were held at valuation as a proxy for historical cost. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (see Note xiii on page 31).

In applying the new accounting policy, the Council has identified that the assets that were previously held as community assets within property, plant and equipment at £879,000 should now be recognised as heritage assets. These assets relate to the fine arts and sculpture held by the Council and the Sculpture Trail. In addition the valuation of artefacts held at the Harlow Museum, valued at £612,000, is a new disclosure with a corresponding increase in the Revaluation Reserve not previously recognised on the Balance Sheet. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £776,000. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £776,000. The revaluation reserve has increased by £612,000.
- The fully restated 1 April 2010 Balance Sheet is provided on page 18. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010 £000	Restatement £000	Restatement required to opening balances as at 1 April 2010 £000
Property, Plant & Equipment	703,741	(776)	702,965
Heritage Assets	0	1,388	1,388
Long-Term Assets	**727,319**	**612**	**727,931**
Total Net Assets	**637,462**	**612**	**638,074**
Unusable Reserves	627,610	612	628,222
Total Reserves	**637,462**	**612**	**638,074**

Comprehensive Income and Expenditure Statement

As a consequence of the recognition of Heritage Assets in the accounts for the first time, an increased valuation is necessary totaling £612,000. This has increased the 'Revaluation of Property, Plant and Equipment' in the Comprehensive Income and Expenditure Statement.

Movement in Reserves Statement – Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement as at 31 March 2011, as a result of the application of this new accounting policy, is presented in the table below:

	As Previously Stated 31 March 2011 £000	As Restated 31 March 2011 £000	Restatement 2011 £000
Balance as at the end of the previous reporting period – 31 March 2010	627,610	627,610	-
Other Comprehensive Income and Expenditure	**(27,055)**	**(26,443)**	612
Adjustments between the accounting basis and the funding basis under regulations	**(88,702)**	**(88,702)**	**-**
Increase/(decrease) in the year	(115,757)	(115,145)	612
Balance at the end of the current reporting period 31 March 2011	**511,853**	**512,465**	612

The resulting restated Balance Sheet for 31 March 2011 is provided on page 18. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows (overleaf):

	As Previously Stated 31 March 2011 £000	Restatement 2011 £000	As Restated 31 March 2011 £000
Property, Plant & Equipment	565,244	(878)	564,366
Heritage Assets	0	1,490	1,490
Long-Term Assets	**593,612**	**612**	594,224
Net Assets	**524,655**	**612**	525,267
Unusable Reserves	511,854	612	512,466
Total Reserves	**524,655**	**612**	525,267

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £1.490 million on the Balance Sheet resulting in an increase to the Revaluation Reserve of £612,000 and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost in community assets (a sub-classification of property, plant and equipment) of £878,000.

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SUPPLEMENTARY FINANCIAL STATEMENTS

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HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

	Note	2011/12 £000	2010/11 £000
Expenditure			
Repairs and Maintenance		(9,855)	(9,591)
Supervision and Management		(11,644)	(12,706)
Rents, Rates, Taxes and Other Charges		(53)	(35)
Negative HRA Subsidy Payable (including MRA)	H8	(14,314)	(12,552)
Depreciation and Impairments of Non-Current Assets	H7 & H12	(28,219)	(72,422)
Amortisation of Intangible Assets		(344)	(257)
Debt Management Costs		(78)	(5)
Movement in the Allowance for Bad Debts (not specified by the Code)		(170)	(172)
Payment to Secretary of State	H6	(208,837)	-
Sums directed by the Secretary of State that are expenditure in accordance with the Code		(10)	(10)
Total Expenditure		**(273,524)**	(107,750)
Income			
Dwelling Rents		39,704	37,408
Non-Dwelling Rents		2,472	2,549
Charges for Services and Facilities		3,704	3,422
Contributions towards Expenditure		257	296
Total Income		**46,137**	43,675
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		**(227,387)**	(64,075)
HRA Services' share of Corporate and Democratic Core		(341)	(372)
HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		-	(7)
Net Cost for HRA Services		**(227,728)**	(64,454)
HRA share of the operating income and expenditure			
Gain or (loss) on sale of HRA non-current assets		313	(927)
Interest payable and similar charges		(79)	-
Interest and investment income		139	148
Pensions interest cost and expected return on pensions		-	210
Capital grants and contributions receivable		857	683
Surplus or (deficit) for the year on HRA services		**(226,498)**	(64,340)

HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

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

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

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

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

- the difference between the calculated depreciation on HRA assets and the Housing Subsidy Major Repairs Allowance has to be adjusted back into the balance for the year,
- the gain or loss on the disposal of HRA assets has to be reversed before a final balance is calculated; and
- any impairment on HRA assets, either due to economic consumption or valuation, has to be reversed from the account before a statutory balance can be finalised.
- The one-off payment to the Secretary of State representing the amount statutorily required to exit the HRA Subsidy system and introduce HRA self-financing.

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

	Note	**2011/12 £000**	2010/11 £000
Balance on the HRA at 1 April		**2,768**	**2,232**
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(226,499)	(64,342)
Adjustments between accounting basis and funding basis under statute	H1	226,912	65,128
Net increase or (decrease) before transfers to or from reserves		413	786
Transfers (to) or from reserves	H2	169	(250)
Increase or (decrease) in year on the HRA		582	536
Balance on the HRA as at 31 March		**3,350**	**2,768**

H1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

	Notes	2011/12 £000	2010/11 £000
Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year:			
Intangible Assets written down		344	257
Impairment of Fixed Assets		1,032	39,063
(Gain)/ Loss on sale of HRA fixed assets		(313)	927
Transfer to/ (from) Major Repairs Reserve		19,511	25,892
Investment Properties		3	-
Payment to Secretary of State		208,837	-
Employer's contribution payable to the ECC Pension Fund and retirement benefits payable direct to pensioners		(1,653)	(203)
Deferred Grants written down		(857)	(683)
Accumulated Absences		8	-
Items not included in the HRA Income and Expenditure Account but to be included in the Movement on the HRA Balance for the year:			
Capital Expenditure Funded by the HRA		-	(125)
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year		**226,912**	**65,128**

H2. TRANSFERS TO / (FROM) RESERVES

	Notes	2011/12 £000	2010/11 £000
Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year:			
Contribution to Insurance Fund		359	699
Contribution to Perpetuity Earmarked Reserves		86	70
Interest on Earmarked Reserves		20	24
Contribution from Insurance Fund		(213)	(127)
Contribution from Perpetuity Earmarked Reserves		(421)	(416)
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year		**(169)**	**250**

ANALYSIS OF THE HOUSING STOCK

	2011/12	2010/11
Analysis by Type of Dwelling		
Houses & Bungalows	6,114	6,132
Flats & Maisonettes	3,703	3,749
Other	7	7
Total Dwellings	**9,824**	**9,888**
Analysis by Number of Bedrooms		
Bedsitters	417	420
1 bedroom	2,095	2,133
2 bedrooms	3,728	3,747
3 bedrooms	3,197	3,201
4 bedrooms	352	352
5 bedrooms	28	28
Hostels	7	7
Total Dwellings	**9,824**	**9,888**
The change in stock can be summarised as follows:		
Stock at start of year (1 April)	9,888	9,915
Deduct Sales, Demolitions, etc	(64)	(27)
Stock at end of year (31 March)	**9,824**	**9,888**

H4. BALANCE SHEET VALUES FOR THE HOUSING STOCK

	as at 31 March 2012 £000s	as at 31 March 2011 £000s
Council Dwellings:		
Land	181,742	173,207
Dwellings	361,414	344,343
Sub-Total	543,156	517,550
Other land and buildings	-	38
Vehicles, plant, furniture and equipment	15	23
Infrastructure and community assets	92	-
Assets under construction	-	-
Surplus assets not held for sale	1,961	-
Investment properties	1,316	1,320
Assets held for sale	166	-
Total HRA Balance Sheet Values	**546,706**	**518,931**

H5. VACANT POSSESSION

The vacant possession values of the Council's Housing stock as at 1 April 2011 amounted to £1,394,636,700; the social housing factor reduction of 59% reduced the value to an EUV-SH of £573,693,395.

	as at 1 April 2011 £000s	as at 1 April 2010 £000s
Vacant possession value of dwellings	**1,394,637**	**1,342,463**

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

H6. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue Expenditure Funded from Capital Under Statute relates to capital expenditure which does not necessarily result in an asset. The Localism Act 2011 abolished the HRA Subsidy system and introduced, in its place, the requirement for English housing authorities to make, or receive, a one-off payment to, or from, the Government in lieu of future payments or receipts. This creates a 'self-financing' Housing Revenue Account with effect from 1 April 2012. Harlow Council was required to make a one-off payment to the Government of £208.837m. The transaction occurred on 28 March 2012. There were no changes in 2010/11.

H7. IMPAIRMENT CHARGES

Impairment	2011/12 £000s	2010/11 £000s
Land	-	-
Dwellings	1,031	39,063
Other Property	1	-
Total	**1,032**	**39,063**
Operational Assets	1,031	39,063
Non-Operational Assets	1	-
Total	**1,032**	**39,063**

Impairments, which 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, were significantly higher in 2010/11. This is because the regional percentage factor applied is now 39%, previously 46%. The value of Council dwellings at 31 March 2011 was £517.5 million. If the 'Existing Use – Market Value' had remained unchanged at 46%, the value would have been £604.6 million. The regional percentage factor remained at 39% in 2011/12.

H8. HOUSING SUBSIDY

The figures shown below are the estimates of the Housing Revenue Account Subsidy for the respective financial years. The subsidy payable to/ receivable from Central Government in any year can vary because of adjustments to previous years' claims.

Housing Subsidy	2011/12 £000s	2010/11 £000s
Management and Maintenance	17,464	17,127
Major Repairs Allowance	7,676	7,467
	25,140	**24,594**
Rent	(39,240)	(36,973)
Investment Income	(190)	(197)
Other Income	0	0
	(39,430)	**(37,170)**
Notional Subsidy Receivable/ (Payable)	**(14,290)**	**(12,576)**

H9. CAPITAL EXPENDITURE AND ITS FINANCING

	2011/12 £000s	2010/11 £000s
HRA Capital Expenditure:		
Dwelling Stock	11,833	8,826
Non-Dwelling works	330	300
Investment in Information Technology	224	259
	12,387	**9,385**
Financed By:		
Supported Borrowing	3,611	915
Grant Contributions	857	676
Usable Capital Receipts	243	202
Revenue Contributions	0	125
Major Repairs Reserve	7,676	7,467
	12,387	**9,385**

H10. CAPITAL RECEIPTS

Summary of HRA Capital Receipts	2011/12 £000s	2010/11 £000s
Sale of Council Houses - Direct	1,483	1,424
Sale of Council Houses - Deferred	0	0
Other (including shared ownership)	61	69
	1,544	**1,493**

The number of sales of Council houses have remained the same as last year, with 16 tenants purchased their property in 2011/12 under the Right to Buy Scheme.

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.

H11. CAPITAL ASSET CHARGES ACCOUNTING ADJUSTMENT

Harlow Council had, prior to HRA self-financing, a negative Housing Capital Financing Requirement. It had no Revenue Contributions financed from Capital. Therefore the only figures relate to an adjustment for impairment which was (-) £1,032,000 for 2011/12 (and (-) £39,063,000 for 2010/11).

H12. CHARGES FOR DEPRECIATION

Depreciation	2011/12 £000s	2010/11 £000s
Council Dwellings	27,014	33,340
Other Land and Buildings	(1)	1
Vehicles, Plant, Furniture and Equipment	8	18
Infrastructure and Community Assests	-	-
Assets under construction	-	-
Surplus assets not held for sale	154	-
Investment properties	-	-
Assets held for sale	12	-
Total	**27,187**	**33,359**
Operational Assets	27,014	33,340
Non-Operational Assets	173	19
Total	**27,187**	**33,359**

H13. MOVEMENT ON THE MAJOR REPAIRS RESERVE

Major Repairs Reserve	2011/12 £000s	2010/11 £000s
Balance as at 1 April	**0**	**0**
Transfers in - depreciation	27,187	33,359
Transfers out to the HRA	(19,511)	(25,892)
Capital Spending on Housing Stock met by the Reserve	(7,676)	(7,467)
Balance as at 31 March	**0**	**0**

H14. HRA SHARE OF CONTRIBUTIONS TO/ FROM THE PENSIONS RESERVE

Included within the Net Cost of Service is the HRA share of contributions from the Pension Reserve. The pension contributions have been calculated in accordance with IAS 19. An adjustment is made (within the adjustments) between accounting basis and funding basis under statute, so that there is no effect on the HRA surplus for the year.

The current service cost of pension amounting to £200,000 has been charged to the HRA and the adjustment between accounting bases of £77,000 applied to ensure the HRA is charged with the statutory sum related to the actual cost of pension of £277,000.

H15. RENT ARREARS

Outstanding rent arrears at 31 March 2012 total £2,684,000 plus £209,000 overpaid housing benefit (£2,786,000 and £216,000 at 31 March 2011). A provision for non-collectable debts has been made as at 31 March 2012 totalling £2,363,000 (£2,341,000 at 31 March 2011).

The arrears exclude prepayments of £534,000, and may be analysed as follows:

Rent Arrears	**As at 31 March 2012** £000s	**As at 31 March 2011** £000s
Due from Current Tenants	1,249	1,373
Due from Former Tenants	1,435	1,413
Arrears (gross)	2,684	2,786
	0	0
Prepayments	(534)	(614)
Net Arrears	**2,150**	**2,172**

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

COLLECTION FUND

The Collection Fund is a separate statutory fund under the provision of the Local Government Act 1988. Its assets and liabilities are included in the General Fund Balance Sheet and its income and expenditure is shown below:

	2011/12 £000	2010/11 £000
Income		
Council Tax	(35,397)	(34,930)
Business Rates	(43,345)	(41,962)
Transfers from General Fund:		
Council Tax Benefit	(8,782)	(8,786)
Discretionary Rate Relief	-	-
Contributions towards Previous Year's Collection Fund Deficit	(183)	(240)
Total Income	**(87,707)**	(85,918)
Expenditure		
Precepts	44,040	43,863
Business Rates:		
Payment to National Pool	43,217	41,831
Cost of Collection Allowance	128	131
Bad and Doubtful Debts - Provisions	315	334
Contributions towards Previous Year's Collection Fund Surplus	-	-
Total Expenditure	**87,700**	86,159
(Surplus)/ Deficit	**(7)**	241
Resulting Collection Fund Balances - (Surplus)/ Deficit		
Balance brought forward 1 April	464	223
Movement in year	(7)	241
Balance carried forward 31 March	**457**	464

CF1. Non-Domestic Rates

Under the arrangements for Business Rates, the Council collects Non-Domestic Rates for its area, based on local rateable values, multiplied by a uniform Business Rate. The amount collectable, less a cost of collection allowance set by the Department of Communities and Local Government, and any adjustment to the provision for doubtful debts, is paid into the National Non Domestic Rate Pool. For each billing authority a set amount per head is paid back. For 2011/12 our contribution to the national pool was £43.217 million and our entitlement £ 4.853 million.

The total Non Domestic Rateable Value as at 31 March 2012 was £114,287,943 (£114,782,384 at 31 March 2011). The multiplier for 2011/12 was set at 42.6p (40.7 pence for 2010/11). The product of this is £48,686,664 for 2011/12 (£46,716,430 for 2010/11). This represents potential income at a point in time, 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.

CF2. Council Tax

The Council Tax Base is a measurement of the taxable capacity of the area. Dwellings are converted into Band D equivalents, taking into account exemptions and discounts. Dwellings are classified into eight valuation bands (A to H) based on 1991 capital valuations. The Council Tax is set for band D dwellings and the tax for the other bands is calculated as a proportion of the band D charge.

2011/12 Council Tax was set at £251.55 for a band D property (£251.55 for 2010/11).

The Council Tax base was calculated as follows (see overleaf):

Valuation Band	Total No. Dwellings on Valuation List	Total Equivalent Dwellings (after discounts, etc)	Ratio to Band D	Band D Equivalents
A(i)	3	2.50	5/9	1.40
A(ii)	2,104	1,729.10	6/9	1,152.70
B	7,514	6,381.20	7/9	4,963.20
C	18,113	16,615.05	8/9	14,768.90
D	4,107	3,835.80	9/9	3,835.80
E	2,040	1,946.45	11/9	2,379.00
F	849	816.55	13/9	1,179.50
G	369	352.20	15/9	587.00
H	11	10.00	18/9	20.00
	35,110	31,688.85		28,887.50

Adjustment for Allowance of 0.8% for non-collection and for anticipated changes during the year for successful appeals against banding, new properties, demolitions, disability relief and exempt properties	(231.10)
Total Council Tax Base	**28,656.40**

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GLOSSARY OF TERMS AND ABBREVIATIONS

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Accounting Period

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

Amortisation

The term used to refer to the charging of the value of a transaction or asset (usually related to intangible fixed assets) to the Income and Expenditure Account over a period of time, reflecting the value to the Council; similar to the depreciation charge for tangible fixed assets.

Asset Held for Sale

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

Billing Authority

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

Capital Expenditure

Spending which produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery, and intangible assets such as computer software. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure which does not fall within the definition must be charged to a revenue account.

Capital Adjustment Account

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

Collection Fund Adjustment Account

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

Consumer Price Index (CPI)

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

Contingent Assets/Liabilities

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

Deferred Credits

This is the term applied to deferred capital receipts. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, e.g. mortgages. The balance is reduced by the amount repayable in any financial year.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

Earmarked Reserves

These are funds set aside for a specific purpose, or a particular service, or type of expenditure.

Finance Lease

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

Fixed Assets - Tangible

Tangible assets (i.e. land and buildings) that yield benefits to the Council and the services it provides for a period of more than one year.

Fixed Assets – Intangible

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

General Fund Balance

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

Housing Subsidy

A Government grant payable towards the cost of providing Local Authority housing and the management and maintenance of that housing.

International Accounting Standard Board (IASB)

The accounting standards setting body.

International Financial Reporting Standard (IFRS)

A statement of accounting practice issued by the Accounting Standards Board.

Impairment

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

Intangible Assets

A non-physical item where access to future economic benefits is controlled by the local authority. An example is computer software.

Inventories

These are the collection of materials and goods in stock and contents of a building

Investments

Deposits for less than one year with approved institutions

Infrastructure Assets

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways

Investment Property

Investment property is (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of operations.

Long Term Debtors

Amounts due to the Council more than one year after the Balance Sheet date

Medium Term Financial Strategy (MTFS)

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

Minimum Revenue Provision (MRP)

The statutory charge for debt repayment

National Non-Domestic Rates (NNDR)

Under the arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collects Non-Domestic Rates for its area based on local rateable values, multiplied by nationally set rates. The total amount, less certain relief and deductions, is paid to a central pool managed by the Government, which in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population

Net Realisable Value

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

Non operational Assets

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

Operational Asset

Fixed assets held by the Council and used or consumed in the delivery of its services.

Operating Lease

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

Pension Fund

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

Pooling of Housing Capital Receipts

Pooling is the term given to the requirement to pay to the Government a proportion of certain types of capital receipt. From 1 April 2004 Right to Buy receipts are subject to a payment into a government pool at the rate of 75%. Costs associated with improvement to the property expended over the past three years are deductible from the cash receipt before the pooling percentage is applied.

Precept

The amount by which a Precepting Authority (e.g. a County Council) requires from a Billing Authority (e.g. District Councils) to meet its expenditure requirements.

Profit on the sale of Fixed Assets

This is a recent accounting requirement for Local Government, and requires the book value of the asset sold to be compared to the net proceeds to calculate the profit or loss on the transaction.

Provisions

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

Public Finance Initiative (PFI)

A method of financing capital expenditure from the private sector

Retail Price Index (RPI)

As with the Consumer Prices Index, the retail price index, or the RPI, shows the changes in the cost of living. This is a measure of inflation that examines changes in the weighted average of prices of a basket of consumer goods and services. Importantly, RPI includes the cost of mortgage interest in its calculation, whilst CPI excludes this cost.

Revenue

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

Revenue Expenditure Funded from Capital under Statute

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

Revenue Support Grant

This funding is the Government Grant provided by the Department for Communities and Local Government (DCLG), which is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.

Statement of Recommended Practice (CODE)

The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice.

The CODE specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local Council. It prescribes the accounting treatments and disclosures for all normal transactions of a Council and involves interpretations of accounting standards issued by the Accounting Standards Board.

Statement of Standard Accounting Practice (SSAP)

A statement of accounting practice issued by the Accounting Standards Board

Surplus Asset

Where assets are not in use but do not meet the criteria of Assets Held for Sale they will be considered surplus and will be accommodated in the class of Property, Plant and Equipment.

Tangible Assets

Anything that has long-term physical existence or is acquired for use in the operations of the organisation and is not specifically held for sale to customers. They are recorded in the balance sheet and include, for example, plant, property, and equipment.

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INDEPENDENT AUDITORS REPORT AND CERTIFICATE

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REPORT OF AUDITORS

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

Opinion on the Authority financial statements
I have audited the financial statements of Harlow District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Harlow District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Head of Finance and auditor
As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements
In my opinion the financial statements:

- give a true and fair view of the financial position of Harlow District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters
In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception
I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.
- I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Harlow District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Harlow District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Christine Connolly
Officer of the Audit Commission
3rd Floor
Eastbrook
Shaftesbury Road
Cambridge CB2 8BF

28 September 2012

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Harlow Council
Annual Governance Statement 2011-12

1. Scope of responsibility

1.1. Harlow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2. In 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(3) of the Accounts and Audit Regulations 2011, in relation to the publication of an annual governance statement.

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 Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

2.4. The table below summarises the Council's Governance Framework (which includes a system of internal control) for the year ending 31st March 2012 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), Veolia (waste management and recycling) and Westerleigh to deliver service and efficiency gains
• A new statement of the Council's governance expectations to be used with all partnering and contracting arrangements
• The Constitution, which was revised during the year:
    • 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 revised scheme of delegation of responsibility, financial regulations and contract standing orders
    • defines codes of conduct for members and officers, and a protocol for how the two work together. The Officer Code has been refreshed this year
• A Guide to decision-making in the new style of Cabinet governance, and associated guidance on report writing
• 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
• A risk-based approach to internal audit, emphasising the need for sound control and good value
• A robust whistle blowing policy and process, refreshed in 2011-12, along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption
• Leadership encourages an open and supportive culture in the Council
• An 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, revisited and refreshed in 2011-12
- A Performance Management Framework, which underpins robust business planning, data quality, risk management and regular performance monitoring and reporting
- A Guide to Performance Management
- A People Strategy to ensure that the Council has the staff, the skills, the knowledge, the facilities and the resources to meet legal requirements, its Vision and its Corporate Plan, and to inspire its staff to be both wise and critical, innovative and methodical, and ensure fair and reasonable working conditions for all
- A strategy for encouraging stakeholder involvement which uses a range of community engagement and communications activities
- A Programme & Project Management Group which acts as the management board for corporate programmes and projects
- An embedded corporate equalities group that meets regularly
- An active Governance Group (jointly chaired by the Monitoring Officer and the Section 151 Officer), which has taken charge of the Annual Governance Statement process, and is actively addressing the issues it identifies both by referring specific matters to those best placed to address them and through the work of its own members

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 various sources noted below.

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 the 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. The supporting documents have been revised where appropriate, and the evidence has been updated where necessary – see item 4.1. In addition, the Group has considered the following evidence:

- Heads of Service 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 reports issued along with the assurance ratings give between "moderate" and "substantial" assurance on the adequacy and effectiveness of the Council's control environment, particularly in the key financial systems;
- Audit Commission reports during and on the 2011-12 year. Where these exist, we have also used reports from other agencies and inspectorates.

4. Significant governance issues from previous years

4.1. During the year the Governance Group was created to be responsible for monitoring and reviewing the corporate governance framework and to consider specific governance issues as they arise. The work of this group has strengthened many of the council's governance processes and has addressed issues raised in the Annual Governance Statement for the last three years. In particular, the group has been able to ensure that there is better integration of the assurance framework and that the process for producing the Annual Governance Statement is more robust.

5. Significant governance Issues

5.1. In preparing this statement and reviewing the effectiveness of the council's governance arrangements, we have identified six areas for progressing from preceding years, and a further six new areas for improvement, four of which have been identified as requiring significant improvement. All are set out in the table below, together with the steps to be taken to address them.

No.	Issue	Action to be taken
1.	**Kier Harlow governance**	Work is scheduled during 2012-13 to review the payment process, reporting of KPIs and the overall structure.
2.	As **Financial Regulations** have not been updated recently, a review at a detailed level will be timely during 2012-13 to ensure that they address the necessary issues.	The Head of Finance is undertaking a review of Financial Regulations which will be presented to the Constitution Working Party and Full Council early in the new municipal year.
3.	**Asset register** out of date	The Council is implementing a new asset register system for 2012-13

4.	**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. While this is mainly outside Council control, there is a risk of loss of services.	Those elements that are predictable are built into the MTFS, along with a robust process to manage budgets within each year.
5.	**Risk management strategy** out of date; risks not monitored, action plans not updated and reported. Risk management not embedded	The Council has introduced a new risk management framework. An external review of physical risk has been undertaken by the Council's insurers, to support further development of the strategy. A task and finish group has led on this, and will give way to a permanent risk management group that will continue to provide overview in this area
6.	**Business continuity** arrangements have not been universally and systematically planned and tested.	Service plans for 2012-13 will include development of fit-for-purpose business continuity arrangements where they do not already exist. Testing of corporate recovery plan
7.	Procurement and contract monitoring	Work to embed good practice
8.	Programme and project management	To be reviewed during 2012-13
9.	The governance arrangements for some partnerships are not fully documented	A review of partnership governance arrangements will take place during 2012-13
10.	Welfare reforms	Internal and external working groups established and the changes will be reported at appropriate stages to Cabinet.
11.	Induction of new council following May 2012 elections	Induction programme
12.	Accounting systems upgrade	Project plan to be developed during 2012-13

5.2. We plan to address these matters to further enhance our governance arrangements over the coming year. The Governance Group and the Audit Committee will monitor progress regularly. All actions are assigned to a named officer as part of their 2012-13 work plans. We are satisfied that these steps will address the needs identified in our review, and we will report on their implementation in our next annual review.

Signed: Date:

(Leader of the Council)

Signed: Date:

(Chief Executive)