


Harlow District Council

Statement of Accounts
2012/13

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 2013.

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 19 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 8, 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
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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.

Changes for the 2012/13 Accounts

The significant changes which were brought about by the adoption of International Financial Reporting Standards (IFRS) in 2010/11 are now embedded. 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 2012/13 there have been minor updates to the Code, the most significant of which is the treatment of non-dwellings depreciation within a new self-financed Housing Revenue Account.

Results for 2012/13

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 £12.4 million (2011/12 £13.6 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			
Chief Executive	(106)	(3)	103
Finance	3,834	4,336	502
Community and Wellbeing	8,601	8,321	(280)
Regeneration and Enterprise	(217)	407	624
Housing (GF)	1,135	1,152	17
Governance	772	651	(121)
Other Corporate	(1,152)	(2,415)	(1,263)
Total Net Spending for the Year	**12,867**	**12,449**	**(418)**
Met by:			
Collection Fund Demand	(7,217)	(7,124)	93
Government Grants	(5,620)	(5,620)	0
Contribution to/(from) Balances	(30)	295	325
Total Financing	**(12,867)**	**(12,449)**	**418**

The Council faced a challenging year having seen a cut of 12% in its funding and the final position reported shows that excellent control continues to be maintained on the Council’s finances. A full report presented to the Council’s Cabinet meeting on 18 July 2013 details the financial performance against the agreed budget.

General Fund balances now stand at £2.8 million, against the Council’s minimum working balance of £2.5 million. A proportion of this balance is to be used to support spending plans that have been carried forward into 2013/14, amounting to £0.159 million. The General Fund balance enables the Council to hold sufficient resources to help protect it and the services it delivers during a period of significant financial reforms.

Revenue spending- Housing Revenue Account

	Original Estimate £000	Actual £000	Variance £000
Expenditure			
General Management	8,309	10,813	2,504
Supervision and Management	5,873	5,531	(342)
Repairs	10,435	9,337	(1,099)
Rents, Rates, Taxes and Other Charges	36	(20)	(55)
Provision for Bad and Doubtful Debts	200	308	108
Supporting People Transitional Arrangements	6	10	4
Debt Management Costs	115	9	(106)
Major Repairs Allowance (Net Depreciation)	14,278	16,542	2,264
Interest Charges	6,968	6,802	(166)
Revenue Contribution to Capital Expenditure	3,818	-	(3,818)
Transfers to/from Insurance Fund	257	311	54
Total Spending for the year	**50,295**	**49,643**	**(652)**
Income			
Dwelling Rents	(42,491)	(42,501)	(10)
Non-Dwelling Rents	(2,484)	(2,436)	48
Other Rents	(65)	(22)	43
Charges for Services and Facilities	(4,450)	(4,270)	181
Interest Receivable	(33)	(35)	(2)
Total Income for the year	**(49,523)**	**(49,262)**	**261**
Net HRA (Surplus)/Deficit	**772**	**381**	**(391)**

Expenditure and income in the Housing Revenue Account for 2012/13 varied by a favourable £391,000 (0.80% of the budget). Principal variances included increased costs of general management with the re-establishment of the Council’s Technical Services role to support the decent homes target of 2015. Efficiencies realised from the revisions to the JVCo Commercial Offer, the increased provision for doubtful debts due to economic conditions and the change to the capital programme financing which was met from the Major Repairs Reserve instead of by revenue contribution.

Capital spending

In its capital investment programme aligned with both General Fund and Housing services, the Council incurred capital expenditure totalling £13.7 million in 2012/13 against an approved programme of £18.1 million, with schemes to the value of £3.6 million to be carried forward for completion in 2013/14.

Major housing schemes included general improvements to the housing stock £11.5 million, and disabled facilities grants £1.1 million. Other schemes included Housing IT development £0.15 million, and work to Council buildings of £0.6 million.

In 2011/12 the Council also entered into a Building Licence and Deferred Sale Agreement for the disposal of Marshgate Farm which became unconditional in 2012/13 and will result in a capital receipt from the sale of individual units by September 2014, after which any outstanding capital receipt is payable.

Programme of Development

In 2012/13 the Council held £11.6 million as the Accountable Body for Programme of Development regeneration schemes. The grant monies included £11.2 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 2012/13 the Council drew down a total £2.8 million of which £0.42 million funded capital expenditure for work to Harlow Town Centre and £1.05 million for work on Harlow's Priority Estates. Claims from partner authorities drew down a total of £1.2 million funded capital expenditure of which £0.41 million for Transport Work, £0.29 million for Eastern Access Junction 7a, £0.28 million for Thorley Flood Pound and £0.12 million for Roydon Loop.

Housing Finance Reform

At the end of 2011/12, the Council processed a major transaction with the Department for Communities and Local Government (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 followed 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 demonstrated the sustainability of the housing service and development of the housing stock over that time period. The HRA Business Plan was formally updated in January 2013 and is subject to annual review.

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 2012/13 capital investment was financed by £135,000 from internal resources. The Council has not entered into borrowing to finance the housing capital programme but used surplus resources created through the Major Repairs Reserve.

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 2012/13 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.

The changes relating to the HRA have been detailed earlier and have involved the Council undertaking significant borrowing of £208.837 million in 2011/12 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 saw reductions of almost 12% in this funding for 2012/13 and the Council's financial plans have allowed for a 7.68% reduction in 2013/14, a further 16.57% reduction in 2014/15 and a 10% reduction across 2015/16 and 2016/17. Future reductions are still subject to confirmation but current indications are that the cuts could be harsher than the plan has allowed for in the later years.

The Council continues to experience 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 on-going 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 has planned to significantly 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 future will not be easy for the Council with significant funding gaps to be met in the next three to four years. The significant changes in the Council's funding through the Local Government Resource Review and the radical welfare reforms now being implemented. However, the Council 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 125 presents a true and fair view of the financial position of Harlow District Council as at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

The unaudited Accounts were issued on 28 June 2013 and the audited accounts were authorised for issue on 25 September 2013.

Signed ……………………………………… Date 26 September 2013

Simon Freeman CPFA
Head of Finance

Signed ……………………………………… Date 26 September 2013

Councillor Mark Wilkinson
Leader of the Council

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CORE FINANCIAL STATEMENTS

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MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	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 2011	3,363	3,387	2,769	3,215			69	**12,803**	512,465	**525,268**	***525,268***
Movement in reserves during 2011/12											
Surplus / (Deficit) on the provision of services	6,691		(234,563)					**(227,872)**		**(227,872)**	***(219,807)***
Other Comprehensive Income and Expenditure	108							**108**	27,400	**27,508**	***27,508***
Total Comprehensive Income and Expenditure	**6,799**		**(234,563)**					**(227,764)**	**27,400**	**(200,364)**	***(192,299)***
Adjustments between accounting basis & funding basis under regulations (Note 6)	(4,391)		234,977				7,974	**238,560**	(238,560)		
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**2,408**		**414**				**7,974**	**10,796**	**(211,160)**	**(200,364)**	***(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**	**(211,160)**	**(200,364)**	***(192,299)***
Balance at 31 March 2012 carried forward	**3,267**	**5,891**	**3,351**	**3,047**	**0**	**0**	**8,043**	**23,599**	**301,305**	**324,904**	***332,969***
Movement in reserves during 2012/13											
Surplus / (Deficit) on the provision of services - REFCUS	(3,927)		(16,977)					**(20,904)**		**(20,904)**	
Other Comprehensive Income and Expenditure									30,392	**30,392**	
Total Comprehensive Income and Expenditure	**(3,927)**		**(16,977)**					**(20,904)**	**30,392**	**9,488**	
Adjustments between accounting basis & funding basis under regulations (Note 6)	4,421		16,567		2,200	4,424	(1,481)	**26,131**	(26,131)		
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**494**		**(410)**		**2,200**	**4,424**	**(1,481)**	**5,227**	**4,261**	**9,488**	
Transfers to/ (from) Earmarked Reserves (Note 7)	(969)	961	27	(19)					11	**11**	
Increase / (Decrease) in 2012/13	**(475)**	**961**	**(383)**	**(19)**	**2,200**	**4,424**	**(1,481)**	**5,227**	**4,272**	**9,499**	
Balance at 31 March 2013 carried forward	**2,792**	**6,852**	**2,968**	**3,028**	**2,200**	**4,424**	**6,562**	**28,826**	**305,577**	**334,403**	

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (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.

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

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.

	Notes	2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure £000	2011/12 Restated Gross Expenditure £000	2011/12 Restated Gross Income £000	2011/12 Restated Net Expenditure £000	2011/12 Net Expenditure £000
Central Services to the Public		13,195	(10,683)	2,512	12,646	(10,863)	1,783	1,783
Cultural and Related Services		5,535	(1,126)	4,409	5,681	(1,345)	4,336	4,336
Environmental and Regulatory Services		5,882	(2,366)	3,516	6,300	(2,574)	3,726	3,726
Planning Services		6,902	(2,585)	4,317	7,109	(3,414)	3,695	3,695
Highways and Transport Services		1,210	(1,404)	(194)	1,230	(1,529)	(299)	(299)
Local Authority Housing (HRA)		60,314	(49,007)	11,307	281,929	(46,137)	235,792	227,728
Other Housing Services		41,676	(40,975)	701	39,457	(39,335)	122	122
Adult Social Care		389	(325)	64	1,843	(1,715)	128	128
Corporate and Democratic Core		2,603	(1,042)	1,561	2,419	(1,158)	1,261	1,261
Non-Distributed Costs		2,265	(1,862)	403	2,027	(1,756)	271	271
Cost of Services				**28,596**			250,815	242,751
Other Operating Expenditure	8			(237)			994	994
Financing and Investment Income and Expenditure	9			8,744			1,617	1,617
Taxation and Non-Specific Grant Income	10			(16,199)			(25,554)	(25,554)
(Surplus)/ Deficit on Provision of Services				**20,904**			227,872	219,808
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets				(43,051)			(47,840)	(47,840)
Actuarial (Gains)/ Losses on Pension Assets and Liabilities				12,659			20,468	20,468
Other Comprehensive Income and Expenditure				**(30,392)**			(27,372)	(27,372)
Total Comprehensive Income and Expenditure				**(9,488)**			200,500	192,436

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.

BALANCE SHEET AS AT 31 MARCH 2013

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.

	Note	2012/13 £000	2011/12 Restated £000	2011/12 £000
Property, Plant & Equipment	11	603,288	589,964	597,627
Heritage Assets	12	1,490	1,490	1,490
Investment Property	13	21,542	21,605	22,006
Intangible Assets	14	869	981	981
Long-Term Debtors		487	490	490
Long-Term Assets		**627,676**	614,530	622,594
Short-Term Investments		1,000	3,000	3,000
Assets Held for Sale	19	2,726	166	166
Inventories	16	31	34	34
Short-Term Debtors	17	11,592	10,201	10,201
Cash and Cash Equivalents	18	18,424	16,271	16,271
Current Assets		**33,773**	29,672	29,672
Short-Term Borrowing	42	(81)	(2,885)	(2,885)
Short-Term Creditors	20	(11,865)	(12,135)	(12,135)
Short-Term Provisions	21	(267)	-	-
Current Liabilities		**(12,213)**	(15,020)	(15,020)
Long-Term Creditors		(173)	(274)	(274)
Long-Term Provisions	21	(140)	(117)	(117)
Long-Term Borrowing	42	(211,837)	(211,837)	(211,837)
Other Long-Term Liabilities	43	(99,941)	(87,979)	(87,979)
Grants Receipts in Advance - Capital	34	(2,742)	(4,070)	(4,070)
Long-Term Liabilities		**(314,833)**	(304,277)	(304,277)
Net Assets		**334,403**	324,905	332,969
Usable Reserves	22	(28,826)	(23,598)	(23,598)
Unusable Reserves	23	(305,577)	(301,307)	(309,371)
Total Reserves		**(334,403)**	(324,905)	(332,969)

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 represents 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’.

The Balance Sheet value of assets held as at 31 March 2012 has changed because of an understatement of depreciation on garages during 2011/12. This was identified during a programme of improving the accounting records for fixed assets, which resulted in implementation of a new fixed asset system in 2012/13. The reduction in the value of the assets is £7,560,940. This reduced the amount in the Revaluation Reserve. An adjustment was also necessary to the Housing Revenue Account Income and Expenditure Statement to increase the amount of depreciation charged. This change impacted on the Movement on the Housing Revenue Account Statement, the Comprehensive Income and Expenditure Statement and the Movement In Reserves Statement. The associated notes 11, H1, H12 and H13 have also been amended. There is no overall impact on useable reserves as depreciation is adjusted through the MIRS. This issue affects 2011/12 only, so no prior year restatement has been necessary for 2010/11.

The unaudited accounts were issued on 28 June 2013, and the audited accounts were authorised for issue on 25 September 2013.

Signed:

Simon Freeman CPFA
Head of Finance
25 September 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

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	2012/13 £000	Restated 2011/12 £000	2011/12 £000
Net Surplus/(Deficit) on the Provision of Services		(20,904)	(227,872)	(219,808)
Adjustments to Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements		42,376	27,973	19,909
Adjustments for Items Included in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities		(4,455)	(1,670)	(1,670)
Net Cash Flows from Operating Activities		**17,017**	**(201,569)**	**(201,569)**
Investing Activities	25	(9,924)	(13,215)	(13,215)
Financing Activities	26	(4,940)	211,140	211,140
Net (Increase)/Decrease in Cash and Cash Equivalents		**2,153**	**(3,644)**	**(3,644)**
Cash and Cash Equivalents at the Beginning of the Reporting Period		16,271	19,915	19,915
Cash and Cash Equivalents at the End of the Reporting Period	18	**18,424**	**16,271**	**16,271**

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

	2012/13 £000	Restated 2011/12 £000	2011/12 £000
Depreciation	37,984	29,878	21,814
Impairment and Downward valuations	1,456	10,171	10,171
Amortisation	365	462	462
Increase/ Decrease in Creditors	134	(15,435)	(15,435)
Increase/ Decrease in Debtors	(312)	2,502	2,502
Increase/ Decrease in Inventories	3	11	11
Movement in Pension Liability	(227)	(748)	(748)
Contribution to/ (from) Provisions	290	0	0
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,650	1,132	1,132
Movement in Investment Property Valuations	33	0	0
Total	**42,376**	**27,973**	**19,909**

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:

	2012/13 £000	2011/12 £000
Capital Grants credited to surplus or deficit on the provision of services	(312)	0
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(4,143)	(1,670)
Total	**(4,455)**	**(1,670)**

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the financial year end of 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice applicable to 2012/13, 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.

Under agreed accounting practice, 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. This sum is 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. This is achieved 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. Such benefits 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 and where employees can carry forward this entitlement 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. 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 all such costs are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement. 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.

Equal Pay Claims

The Council does not make provisions for unequal pay because the risk of claims continues to recede, and the sums are immaterial.

Discretionary Benefits

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

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 approved. 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 note of the nature of the events and their estimated financial effect.

Events taking place after the date of approval are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are carried at their amortised cost. Annual charges made 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 installments or in arrears, government grants and third party contributions and donations are recognised as being 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 (receipts in advance). 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 recognised 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 again 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 66 pictures and models including small sculptures, 54 of which are on display in the Gibberd Gallery at the Civic Centre with 10 pictures and 2 in storage.

There are 22 externally displayed art works and one in storage. These comprise assorted monuments, sculptures and designs situated throughout Harlow town, mostly by leading 20th 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 is operated 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 they are excluded 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 they are excluded from the Balance Sheet.

Listed Buildings and Archaeological Sites

Listed Properties

Harlow Council has 18 Listed Buildings within the town and in the main these are owned by the Council. They are used for housing purposes or are 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 under recognised accounting practice according to the category against 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 town's 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) and 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 losses 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 can be demonstrated that:

- the project is technically feasible and is intended to be completed (with adequate resources being available)
- 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.
Kier Harlow Limited provides property maintenance services, the council has a 19% share in the company and a disclosure is made in the Related Parties transactions note.
Harlow Regeneration Limited (HRL) is a wholly owned subsidiary company operated by Harlow Council. The transactions are immaterial. Due to the immateriality Group Accounts

are not prepared but a disclosure is made of transactions in the Related Parties transactions note.

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 at the year-end according to market conditions. 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 of the Comprehensive Income and Expenditure Statement 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 fulfillment 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 2012/13 (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. The Council has a capitalisation threshold of £5,000 and allows for the capitalisation of staffing costs that are directly associated with delivery of the capital schemes. 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 (as a minimum every five years) to ensure that their carrying amount is not materially different from their fair value at the year-end. 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 as follows:

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

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

For General Fund assets depreciation has been determined to be a charge that does not impact on the overall funding for the Council and therefore is written back out of the Comprehensive Income and Expenditure Account, through the MIRS (as detailed in note 6 to the accounts). However, for the HRA, from 1st April 2012 it is a requirement that depreciation is made as a non-adjusting charge to the HRA for both dwellings and non-dwellings (i.e. garages, car ports and car spaces). The Council has opted to apply the permitted transitional arrangement, which remains in place until 31 March 2017, to reduce the impact of dwellings depreciation to the equivalent of a pre-existing Major Repairs Reserve contribution. The approach to dwellings valuation and depreciation will need to be thoroughly reviewed as the Council achieves the Decent Homes Standard across its housing stock.

Componentisation

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. An annual review of assets in relation to component accounting is undertaken and currently there are 2 assets to which this applies: the Civic Centre and the Playhouse.

Harlow Council does not componentise Council Dwellings 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. Capital receipts received as a result of the sale of council housing under the Right to Buy scheme are treated as follows:

- The Government receives 75% of RTB receipts from an assumed number of sales projected and assumed in the self-financing settlement made in March 2012.
- Additional receipts which have been raised as a consequence of the Government's Right to Buy Reinvigoration Policy are partly allocated to compensate the Council for the lack of future income originally assumed in the HRA Business Plan.
- The remaining portion may be retained by the Council for the purpose of creating new social housing, either by new build or purchase of property on the open market. These new social housing schemes need to be operational within a three year period otherwise the Council will have to repay the retained capital receipt with an interest penalty. The Council opted to retain these receipts with effect from the quarter ending 31 March 2013.

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.

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 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 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 so 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.

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 with effect from 2012/13, although the payment of debt to the Government happened on 28 March 2012 (in 2011/12). The Council updates its HRA Business Plan annually to cover the next thirty years. This includes estimates to increase the capital programme in order to achieve decent homes by March 2015.
- Council Housing has for the third 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 additional property found worthy of Componentisation.

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

The preparation of financial statements requires the Council to make judgements, estimates and assumptions that affect amounts reported for assets and liabilities as at the Balance Sheet date as well as for amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation of uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next 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 to the Major Repairs Allowance. This new regulation will have a significant impact in the HRA's financial resources; it is envisaged that it will require a reassessment of the useful remaining lives of HRA assets, with the likelihood that the lives of assets will be increased, thus enabling depreciation to be spread over a longer period and thereby be fully funded.	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 HRA depreciation charge for assets were to be increased by 1%, the extra charge to services would amount to £276,000. The Major Repairs Reserve records a difference between valuation depreciation and Major Repairs Allowance of £11.1million. 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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions (ii)	The following provisions have been made as at 31 March 2013:- £000s Land Charges 141 M.M.I 206 Westgate House Business Rates 61 408 The Council carries a provision of £141,000 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. A further provision has been made for the potential impact of the Council's previous insurer, MMI, going into administration whereby the company's Scheme of Arrangement currently seeks to recover £206,000. A third provision has been made in relation to Westgate House in relation to settlement of Business Rates of £61,000. Full details of provisions are contained in Note 21.	The provisions made represent a contingency for potential future outcomes. As the outcomes become know or are resolved, any potential costs will be charged against the provisions made. Any remaining sums 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 2012/13, the pension fund actuaries advised that the net pensions' liability had increased by £12.43million. £12.66million was related to actuarial loss and £0.23million gain was due to changes in assumptions.
Arrears	At 31 March 2013, the Council had made significant provisions for doubtful debts, amounting to £3.738million in total. (continued overleaf)	If the Council's collection rates were to deteriorate, an increase in the current provisions by 1% would require an extra provision of £37,000.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	Council tenant rent bad debt provision increased to £2.475million, 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.	

4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

Actuarial Gain

The Pension Fund Actuary has reported an actuarial loss for 2012/13 of £12.659 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. Interest is payable on the debt (of about £6.9m per annum) and, ultimately, the Council must provide for repayment of the debt or re-provision of the debt.

In order to plan the Council's financial management around self-financing, a comprehensive 30-year business plan has been developed.

5. EVENTS AFTER THE BALANCE SHEET DATE

Events may occur between the financial year-end and the date that the Statement of Accounts is issued that might have a bearing upon the financial results of the past year and the financial position presented in the Balance Sheet. Therefore, in compliance with the principles of IAS 10 (Events after the Reporting Period), events that occurred after the Balance Sheet date are reflected in the Statement of Accounts up to 28 June 2013, which is the date on which the Statement was authorised for issue by the Council's Head of Finance.

The Statement of Accounts is due for approval by the Council's members on 26 September 2013. Any further issues arising that materially impact upon the Balance Sheet and accounting statements between the date of issue and the date of approval will be reflected within the Statement of Accounts approved on 26 September.

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 2012/13 (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 Statement 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:

2012/13	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:						
Charges for depreciation and impairment of non-current assets	(3,281)	(11,839)				15,120
Revaluation losses on Property Plant and Equipment	(184)	3,842				(3,658)
Movements in the fair value of Investment Properties	(24)					24
Amortisation of intangible assets	(141)	(224)				365
Capital grants and contributions applied	2,052	300				(2,352)
Income in relation to donated assets						
Revenue expenditure funded from capital under statute	(1,653)					1,653
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	(49)	(2,294)				2,343
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	697					(697)
Capital expenditure charged against the General Fund and HRA balances	18					(18)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement					1,481	(1,481)
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	1,050	3,093	(4,143)			
Use of the Capital Receipts Reserve to finance new capital expenditure			381			(381)
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals						

Continued overleaf

2012/13 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.	(1,563)		1,563			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	6					(6)
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		(11,124)		(16,541)		27,665
Use of the Major Repairs Reserve to finance new capital expenditure				12,117		(12,117)
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	(4,279)	(354)				4,633
Employer's pensions contributions and direct payments to pensioners payable in the year	2,833	2,027				(4,860)
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	79					(79)
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	18	6				(24)
Total Adjustments	(4,421)	(16,567)	(2,199)	(4,424)	1,481	26,130

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)	(1,433)				3,823
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		(27,174)		(7,676)		34,850
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	(234,975)	0	0	(7,974)	238,558

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 2012/13.

Earmarked Reserve	Balance as at 31 Mar 2011 £000s	2011/12 Transfers Out £000s	2011/12 Transfers In £000s	Balance as at 31 Mar 2012 £000s	2012/13 Transfers Out £000s	2012/13 Transfers In £000s	Balance as at 31 Mar 2013 £000s
GENERAL FUND RESERVES							
Perpetuity Reserves	811	(49)	41	803	(1)	40	842
Discretionery Services Fund	0	0	1,000	1,000	(755)	1,093	1,338
Environment Reserve	85	0	16	101	0	5	106
Housing Benefits Subsidy Reserve	150	0	0	150	0	0	150
Insurance claims - GF	476	0	50	526	(101)	50	475
Insurance Fund - GF	583	(27)	171	727	(60)	183	850
Invest To Save Reserve	388	(55)	44	377	0	44	421
Partnership Fund	0	0	200	200	0	0	200
Debt Financing Reserve	0	0	0	0	0	294	294
Planning Reserve	0	0	102	102	(8)	149	243
Residual Land Transfer	93	0	0	93	0	0	93
Risk Reserve	0	0	0	0	0	40	40
Severance Reserve	750	0	78	828	(20)	0	808
Standards Committee Contingency	50	0	0	50	0	0	50
Total General Fund	**3,386**	**(131)**	**1,702**	**4,957**	**(945)**	**1,898**	**5,910**
HRA RESERVES							
Perpetuity Reserves	1,821	(420)	99	1,500	(414)	188	1,274
Insurance claims - HRA	504	0	50	554	(105)	50	499
Insurance Fund - HRA	890	(213)	316	993	(80)	342	1,255
Total HRA	**3,215**	**(633)**	**465**	**3,047**	**(598)**	**580**	**3,028**
EARMARKED GRANTS RESERVES							
General Fund	0	0	934	934	(159)	168	943
Total Earmarked Grants	**0**	**0**	**934**	**934**	**(159)**	**168**	**943**
Total All Earmarked Reserves	**6,601**	**(764)**	**3,101**	**8,938**	**(1,702)**	**2,645**	**9,881**

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.
Discretionary Services 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 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.
Debt Financing Reserve	Established to finance future costs falling upon the General Fund in relation to borrowing.
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	The Reserve may only be used for the purpose of financing capital expenditure and making repayment of debt. Sums credited to the MRR include the depreciation of dwellings and non-dwellings, the former adjusted to align with a calculated sum, offset by an amount financing the capital programme. For the first time in 2012/13 the MRR holds a credit balance.
Insurance claims - HRA	As described under the General Fund, above.
Insurance Fund - HRA	As described under the General Fund, above.

Earmarked Grants Reserves:

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

	2012/13 £000s	2011/12 £000s
Payments to the Government Housing Capital Receipts Pool	1,563	1,119
(Gains)/ Losses on the disposal of Non-Current Assets	(932)	(125)
Capital Grant Repayment	(868)	0
Total	**(237)**	**994**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2012/13 £000s	2011/12 £000s
Interest payable and similar charges	7,242	534
Pensions interest cost and expected return on pensions assets	2,630	2,349
Interest receivable and similar income	(107)	(139)
Income and expenditure in relation to investment properties and changes in their fair value	(825)	(1,127)
Other investment income	(196)	
Total	**8,744**	**1,617**

In 2012/13 the Council annual interest payable amounted to £6,874,000 (2011/12: £75,000) in respect of new borrowing taken out as a consequence of the Government's programme to reform the Housing Revenue Account (HRA) system across the country. Where councils, such as Harlow, were required to make settlements to the Government for the transfer of HRA freedoms, those councils were obliged to provide self-financing to cover the transfer of debt from the Government. The repayment of that debt, plus interest, has been built into the Council's long-term HRA Business Plan.

The Council had previously invested with the Bank of Credit and Commerce International (BCCI), which subsequently went into liquidation in 1991. The Council has continued to receive dividend payments from the liquidators of BCCI, and in 2012/13 received a dividend of £196,000, which is recorded above as Other Investment Income.

10. TAXATION AND NON-SPECIFIC GRANT INCOME

	2012/13 £000s	2011/12 £000s
Council tax income	7,203	7,179
Non-domestic rates	5,510	4,853
Non-ringfenced government grants	1,131	2,049
Capital grants and contributions	2,355	11,473
Total	**16,199**	**25,554**

11. PROPERTY, PLANT AND EQUIPMENT

Movements in 2012/13

2012/13	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 2012	**521,758**	**90,726**	**5,606**	**6,757**	**931**	**3,763**	**0**	**629,541**
Additions	12,161	1,345	71	110		736		**14,422**
Donations								**0**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	7,765	(31)				188		**7,922**
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(8,202)	(1,201)				(21)		**(9,424)**
Derecognition - Disposals	(1,464)	(918)				(91)		**(2,473)**
Derecognition - Other								**0**
Assets reclassified (to)/from Held for Sale	(1,847)	(847)						**(2,694)**
Other movements in cost or valuation		45				(45)		**0**
Cost of Valuation at 31 March 2013	**530,170**	**89,119**	**5,677**	**6,867**	**931**	**4,530**	**0**	**637,294**
Accumulated Depreciation and Impairment at 1 April 2012	**(19,336)**	**(16,768)**	**(2,277)**	**(1,025)**		**(171)**		**(39,578)**
Depreciation Charge	(21,121)	(7,520)	(615)	(215)		(101)		**(29,572)**
Depreciation written out to the Revaluation Reserve	19,335	15,881				164		**35,380**
Depreciation written out to the Surplus/(Deficit) on the Provision of Services		28						**28**
Impairment losses/ (reversals) recognised in the Revaluation Reserve	(86)	(182)						**(268)**
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		3						**3**
Accumulated Depreciation and Impairment at 31 March 2013	**(21,208)**	**(8,559)**	**(2,892)**	**(1,240)**	**0**	**(108)**	**0**	**(34,007)**
Net Book Value								
At 31 March 2013	508,962	80,560	2,785	5,627	931	4,422	0	**603,288**
At 31 March 2012 (restated)	502,422	73,957	3,329	5,732	931	3,592	0	**589,963**
Variation	**6,541**	**6,603**	**(544)**	**(105)**	**0**	**830**	**0**	**13,325**
At 31 March 2013	508,962	80,560	2,785	5,627	931	4,422	0	**603,288**
At 31 March 2012	543,155	40,880	3,327	5,732	931	3,602	0	**597,627**
Variation	**(34,193)**	**39,680**	**(542)**	**(105)**	**0**	**820**	**0**	**5,661**

11. PROPERTY, PLANT AND EQUIPMENT CONT.
Comparative Movements 2011/12

2011/12 (Restated)	Property, Plant and Equipment							
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Valuation at 1 April 2011	**502,061**	**91,360**	**6,722**	**6,495**	**931**	**0**	**0**	**607,569**
Additions	12,096	991	136	262		55		**13,541**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	11,292	(628)						**10,664**
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(586)	244						**(342)**
Derecognition - Disposals	(1,055)	(1,234)	(20)					**(2,309)**
Assets reclassified (to)/from Held for Sale	(177)							**(177)**
Other movements in cost or valuation	(1,873)	(7)	(1,232)			3,709		**597**
Cost of Valuation at 31 March 2012	**521,758**	**90,726**	**5,606**	**6,757**	**931**	**3,763**	**0**	**629,541**
Accumulated Depreciation and Impairment at 1 April 2011	**(17,912)**	**(18,652)**	**(2,867)**	**(817)**				**(40,248)**
Depreciation Charge	(19,415)	(16,579)	(641)	(208)				**(36,844)**
Depreciation written out to the Revaluation Reserve	17,910	18,524						**36,434**
Depreciation written out to the Surplus/(Deficit) on the Provision of Services		129						**129**
Impairment losses/ (reversals) recognised in the Revaluation Reserve		(194)						**(194)**
Derecognition - Disposals			10					**10**
Derecognition - Other	12	10						**22**
Other movements in depreciation and impairment	69	(6)	1,221			(171)		**1,113**
Accumulated Depreciation and Impairment at 31 March 2012	**(19,336)**	**(16,768)**	**(2,277)**	**(1,025)**	**0**	**(171)**	**0**	**(39,578)**
Net Book Value								
At 31 March 2012 (restated)	502,422	73,957	3,329	5,732	931	3,592	0	**589,963**
At 31 March 2011	484,149	72,708	3,855	5,678	931	0	0	**567,321**
Variation	**18,273**	**1,249**	**(526)**	**54**	**0**	**3,592**	**0**	**22,642**
At 31 March 2012	543,155	40,880	3,327	5,732	931	3,602	0	**597,627**
At 31 March 2011	484,149	72,708	3,855	5,678	931	0	0	**567,321**
Variation	**59,006**	**(31,828)**	**(528)**	**54**	**0**	**3,602**	**0**	**30,306**

The Balance Sheet value of assets held as at 31 March 2012 has been restated because of an understatement of depreciation on garages. In addition the Council's stock of garages, car spaces and car ports have been moved from 'Council Dwellings' to 'Other Land and Buildings' to reflect the changes in regulations regarding the disclosure and depreciation of non-dwellings in the Housing Revenue Account. (See 'Notes to the Accounts' xxi, on page 40.)

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 2013 the Council had entered into a number of contracts for the construction of or enhancement to Property, Plant and Equipment in 2013/14 and future years, budgeted at £740,000. Similar commitments at 31 March 2012 were £2,625,000. The major commitments at 31 March 2013 are:

Scheme	Future Commitment £000s
General Works	146
Old Harlow High Street Houses	333
Other Schemes	261
Total Capital Commitments	**740**

iii. Revaluations

The valuation work for the bulk of the Council's property portfolio was carried out by the District Valuer in the autumn of 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 the Town Centre, Hare Street and the Town Park 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 1 April 2012 as part of the valuation process and reviewed as at 31 March 2013. Thirty-four 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 the Town Centre, Hare Street and Town Park areas were re-valued by the District Valuer.

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 willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Net Book Values	**Council Dwellings** £000s	**Other Land and Buildings** £000s	**Vehicles, Plant, Furniture and Equipment** £000s	**Surplus Assets** £000s	**Total** £000s
Carried at historical cost	451,467	27,978	2,514	3,069	485,028
Valued at fair value as at:					
31 March 2013	508,963	80,654	2,785	4,467	596,869
31 March 2012	502,423	73,957	3,329	3,592	583,301
31 March 2011	517,550	36,355	3,855	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

12. HERITAGE ASSETS

Carrying Value of Heritage Assets Held by the Council	Museum Artefacts £000s	Community Heritage Assets £000s	Art Collection £000s	Total £000s
Cost or valuation:				
as at 1 April 2011	612	25	853	1,490
as at 31 March 2012	612	25	853	1,490
as at 31 March 2013	**612**	**25**	**853**	**1,490**

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 20th 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 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 2012/13.

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.

The Museum of Harlow is run by Science Alive in partnership with Harlow Council, with ownership of the building and Collections remaining with the Council. The Museum at Mark Hall is open to the public displaying temporary exhibitions and a free library and archive resource. Some artefacts are 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 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’. Rodin’s sculpture “Eve”, usually sited in the Water Gardens, has been loaned to the Henry Moore Foundation during 2013 for a major exhibition by the artist. In its place has been temporarily sited one of Moore’s series of ‘Upright Motives’. 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. 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 20th 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.

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 Council 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. 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 Council 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 Council 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 2011/12 or 2012/13.

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 66 pictures and models including small sculptures, 54 of which are on display to the public in the Gibberd Gallery at the Civic Centre with 10 pictures and 2 models 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 2012/13. 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.

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:

	2012/13 £000s	2011/12 £000s
Rental income from investment property	1,679	1,692
Direct operating expenses arising from investment property	(137)	(179)
Net gain/(loss)	**1,542**	**1,513**

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:

	2012/13 £000s	Restated 2011/12 £000s	2011/12 £000s
Balance at start of the year (1 April)	21,605	23,663	24,064
Additions:			
Subsequent Expenditure	33	96	96
Disposals:			
Net gains/ (losses) from fair value adjustments	(63)	(283)	(283)
Transfers:			
(to)/ from Property, Plant & Equipment	(33)	(1,871)	(1,871)
Balance at end of the year (31 March)	**21,542**	**21,605**	**22,006**

A restatement to the 2011/12 Balance Sheet was necessary to correct records for mobile phone masts which were previously overstated in the accounts.

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 below:

	Internally Generated Assets	Other Assets
4 years	None	Orchard Housing IT Development
5 years	None	IT Software; Electoral Register Canvass software; Town Park Vision; 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 nil charged to revenue in 2012/13 (£86,800 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	2012/13 Internally Generated Assets £000s	2012/13 Other Assets £000s	2012/13 Total £000s	2011/12 Internally Generated Assets £000s	2011/12 Other Assets £000s	2011/12 Total £000s
Balance at start of year:						
- 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)
Net carrying amount at start of year	**0**	**981**	**981**	**0**	**863**	**863**
Additions:						
- Internal development	0	0	0	0	0	0
- Purchases	0	368	368	0	580	580
- 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	(116)	(116)	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	(364)	(364)	0	(462)	(462)
Other changes	0	0	0	0	0	0
Net carrying amount at end of year	**0**	**869**	**869**	**0**	**981**	**981**
Comprising:						
- Gross carrying amounts	0	2,456	2,456	0	2,088	2,088
- Accumulated amortisation	0	(1,587)	(1,587)	0	(1,107)	(1,107)
	0	**869**	**869**	**0**	**981**	**981**

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 2013 £000s	Carrying Amount as at 31 Mar 2012 £000s	Remaining Amortisation Period
Housing IT Development (2012/13)	146		3 years
Housing IT Development (2011/12)	168	224	2 years
Housing IT Development (2010/11)	86	172	1 years
Housing IT Development (2009/10)		82	0 years
Total	**400**	**478**	

15. FINANCIAL INSTRUMENTS

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

	Long-term		Current	
	as at 31 Mar 2013 £000s	as at 31 Mar 2012 £000s	as at 31 Mar 2013 £000s	as at 31 Mar 2012 £000s
Investments				
Loans and receivables			18,800	18,774
Total Investments	**0**	**0**	**18,800**	**18,774**
Debtors				
Loans and receivables	487	490		
Financial assets carried at contract amounts			5,746	8,355
Total included in Debtors	**487**	**490**	**5,746**	**8,355**
Borrowings				
Financial liabilities at amortised cost	211,837	211,837	81	2,885
Total included in borrowings	**211,837**	**211,837**	**81**	**2,885**
Other Long-term Liabilities				
Long-term Creditors	173	274		
Finance lease liabilities	1,031	1,410		
Total other long-term liabilities	**1,204**	**1,684**		
Creditors				
Financial liabilities at amortised cost	14	106		
Financial liabilities carried at contract amount			9,605	10,269
Total Creditors	**14**	**106**	**9,605**	**10,269**

The table above excludes cash and bank current accounts, the balances of which are shown in Note 18 (further below).

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 (see overleaf):

Income, Expense, Gains and Losses	2012/13 Financial Liabilities - measured at amortised cost	2012/13 Financial Assets - loans and receivables	2012/13 Total	2011/12 Financial Liabilities - measured at amortised cost	2011/12 Financial Assets - loans and receivables	2011/12 Total
	£000s	£000s	£000s	£000s	£000s	£000s
Interest expense	7,123		7,123	(328)		(328)
Finance lease interest expense	119		119	(141)		(141)
Losses on derecognition						
Impairment losses						
Total expense in Surplus or Deficit on the Provision of Services	**7,242**	**0**	**7,242**	**(469)**		**(469)**
Interest income		305	305		75	75
Gains on derecognition			0			0
Total income in Surplus or Deficit on the Provision of Services	**0**	**305**	**305**	**0**	**75**	**75**
Net gain/(loss) for the year	**7,242**	**305**	**7,547**	**(469)**	**75**	**(394)**

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 2013 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 would normally be applied to provide the fair value under PWLB debt redemption procedures, although there were no premature repayments during 2012/13;
- 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:

	as at 31 March 2013		as at 31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000s	£000s	£000s	£000s
Liabilities				
PWLB debt	211,837	232,026	214,637	224,023
Non-PWLB debt				
Total debt	211,837	232,026	214,637	224,023
Deferred Liabilities	1,045	1,045	1,516	1,516
Long-term creditors	173	173	274	274
Trade creditors	9,605	9,605	10,269	10,269
Total Liabilities	**222,660**	**242,849**	**226,696**	**236,082**

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.

In view of the short-term nature fixed interest instruments receivable being held by the Council at 31 March, the carrying value in the Balance Sheet is considered to be a reasonable approximation of the fair value.

Assets				
Money market loans/ investment balances	17,789	17,789	18,762	18,774
Long-term debtors	487	487	490	490
Trade debtors	5,633	5,633	8,355	8,355
Total Assets	**23,909**	**23,909**	**27,607**	**27,619**

16. INVENTORIES

Consumables Stores	**2012/13**	**2011/12**
	£000s	£000s
Balance Outstanding at Start of Year (1 April)	34	45
Purchases	230	246
Recognised as an expense in the year	(230)	(257)
Written-off balances	(3)	0
Reversals of write-offs in previous years	0	0
Balance Outstanding at End of Year (31 March)	**31**	**34**

17. DEBTORS

The table below shows the amount that was owed to the Council at 31 March 2013 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

	Balance as at 31 March 2013 £000s	Balance as at 31 March 2012 £000s
Central government bodies	3,271	1,388
Other local authorities	1,781	2,981
Other entities and individuals	6,540	5,832
Total	**11,592**	**10,201**

18. CASH AND CASH EQUIVALENTS

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

	Balance as at 31 March 2013 £000s	Balance as at 31 March 2012 £000s
Cash held by the authority	4	8
Bank current accounts	620	489
Short-term deposits with financial institutions	17,800	15,774
Total	**18,424**	**16,271**

19. ASSETS HELD FOR SALE

	Current	
	2012/13 £000s	**2011/12** £000s
Balance outstanding at start of year	166	0
Assets newly classified as held for sale:		
- Property, Plant and Equipment	2,726	166
Assets sold	(166)	
Balance Outstanding at Year-end	**2,726**	**166**

20. CREDITORS

The table below shows the amount that the Council owed as at 31 March 2013 to third parties, together with amounts received by the Council in advance of supply of goods or services.

	Balance as at 31 March 2013 £000s	Balance as at 31 March 2012 £000s
Central government bodies	447	1,752
Other local authorities	543	1,400
Other entities and individuals	10,875	8,983
Total	**11,865**	**12,135**

21. PROVISIONS

The total values for Provisions held at 31 March 2013 are shown in the table below.

	Long-Term Provisions £000s	Short-Term Provisions £000s	Total £000s
Balance as at 31 March 2011	**117**	**0**	**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**	**0**	**117**
Additional provisions made in 2012/13	23	267	290
Amounts used in 2012/13	-	-	-
Unused amounts reversed in 2012/13	-	-	-
Balance as at 31 March 2013	**140**	**267**	**407**

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, shown in the table above, are detailed below:

Environmental Information Regulations

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is potentially up to £140,000 (in 2011/12, £115,500) plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

Business Rates

Following its vacation from a part of the of Westgate House during 2012, the Council is in dispute with the owners of that property regarding the settlement of business rates for the period 1 January 2006 to 19 March 2012. There is a risk that a charge of up to £61,000 will fall due by the Council in relation to its occupancy.

Insured Liabilities – Exercise of Scheme of Arrangement

Municipal Mutual Insurance (MMI) was the Council's insurer for Employers Liability between 1974 and 1992, and for Public Liability between 1978 and 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. For several years, the Council has recognised the risk that the MMI insurance fund may not be fully solvent and, in preparation for such an eventuality, earmarked reserves have been maintained that will help finance the potential liability falling on the Council.

On 13 May 2013 a provisional notification was issued by the Scheme Administrator. This advises that, initially, a levy rate of 15% will be required from Harlow Council. The provisional initial call under the scheme has been quantified at £206,000, pending announcement of the formal Levy Notice later in the year.

Therefore a provision has been established for the sum of £206,000, with contributions having been made from each of the General Fund (£101,000) and Housing Revenue Account (£105,000), being in proportion to their balances held in earmarked reserves for this purpose.

In view of the continued risk of future calls being made upon the Council under the Scheme of Arrangement, the earmarked reserves will continue to be maintained, and a contingent liability remains recorded within the Financial Statements (see Notes 7 and 40).

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 2013 total £28,826,000 (£23,598,000 as at 31 March 2012) and are listed in the table below (overleaf):

Usable Reserves	**2012/13** £000s	**2011/12** £000s
General Fund Balance	2,792	3,267
HRA Balance	2,968	3,350
Earmarked Reserves (detailed in Note 7):		
General Fund	5,910	4,957
HRA	3,028	3,047
Earmarked Grants Reserves	943	934
Capital Grants Unapplied	6,562	8,043
Capital Receipts Reserve	2,199	-
Major Repairs Reserve	4,424	-
Total Usable Reserves at end of the year (31 March)	**28,826**	**23,598**

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.

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.

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.

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

Major Repairs Reserve - The Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The balance on this account is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA.

23. UNUSABLE RESERVES

	Balance as at 31 March 2013	Restated Balance as at 31 March 2012	Balance as at 31 March 2012
	£000s	£000s	£000s
Revaluation Reserve	102,032	69,459	77,423
Capital Adjustment Account	301,197	317,500	317,600
Deferred Capital Receipts Reserve	1,277	948	948
Pensions Reserve	(98,895)	(86,463)	(86,463)
Collection Fund Adjustment Account	(1)	(80)	(80)
Accumulated Absences Account	(33)	(57)	(57)
Total Unusable Reserves	**305,577**	**301,307**	**309,371**

The restated balances for Unusable Reserves as at 31 March 2012 reflects a change to the value of assets held because of an understatement of depreciation on garages. In addition the Council's stock of garages, car spaces and car ports have been reclassified from 'Council Dwellings' to 'Other Land and Buildings' to reflect the changes in regulations regarding the disclosure and depreciation of non-dwellings in the Housing Revenue Account. (See 'Notes to the Accounts' xxi, on page 40). Furthermore, a restatement to the Capital Adjustment Account was necessary to correct records for mobile phone masts which were overstated in the accounts for 2011/12.

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.

Revaluation Reserve	2012/13		Restated 2011/12	2011/12
	£000s	£000s	£000s	£000s
Balance at 1 April		**69,459**	**38,618**	**38,618**
Upward revaluation of assets	43,708		47,840	47,840
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(335)		0	0
		43,373		
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(326)		(128)	(128)
Difference between fair value depreciation and historical cost depreciation	(10,448)		(15,863)	(7,898)
Accumulated gains on assets sold or scrapped	(26)		(1,008)	(1,008)
Amount written off to the Capital Adjustment Account		(10,800)		
Balance as at 31 March		**102,032**	**69,459**	**77,424**

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.

Capital Adjustment Account	2012/13		Restated 2011/12	2011/12
	£000s	£000s	£000s	£000s
Balance at 1 April		**317,500**	**540,471**	**540,471**
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	(37,984)		(29,941)	(21,876)
- Revaluation losses on Property, Plant and Equipment	(1,456)		(10,000)	(10,000)
- Amortisation of intangible assets	(365)		(462)	(462)
- Revenue expenditure funded from capital under statute	(1,653)		(28)	(28)
- Payment to CLG in respect of HRA borrowing (REFCUS)	0		(208,837)	(208,837)
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on Disposal to the Comprehensive Income and Expenditure Statement	(2,650)		(1,132)	(1,132)
		(44,108)	(250,400)	(242,335)
Adjusting amounts written out of the Revaluation Reserve		10,800	16,998	9,034
Net written out amount of the cost of non-current assets consumed in the year		(33,308)	(233,402)	(233,301)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	381		479	479
- Use of the Major Repairs Reserve to finance new capital expenditure	12,117		7,676	7,676
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,831		1,967	1,967
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	696		332	332
- Capital expenditure charged against the General Fund and HRA balances	13		56	56
		17,038	10,511	10,511
Movements in the market value of Investment Properties debited or credited to the comprehensive Income and Expenditure Statement		(33)	(80)	(80)
Balance as at 31 March		**301,197**	**317,500**	**317,600**

Minimum Revenue Provision

Councils are required to make prudent provisions for the repayment of borrowing for capital purposes. Since the Council entered a positive borrowing position in 2007/08, the Council's Annual Statement of Minimum Revenue Provision (MRP) has, until now, anticipated that capital receipts should be forthcoming in the short-term to offset that borrowing. The slump in the property markets has removed those anticipated resources of financing. The Council's MRP Policy has subsequently been reviewed and an MRP posted to the Capital Adjustment Account in respect of the General Fund in 2012/13 for £696,000. No MRP is required in respect of the HRA.

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.

	2012/13 £000s	**2011/12** £000s
Balance at 1 April	**(86,463)**	**(66,744)**
Actuarial gains or losses on pensions assets and liabilities	(12,659)	(20,468)
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	(4,633)	(4,042)
Employer's pensions contributions and direct payments to pensioners payable in the year	4,860	4,791
Balance as at 31 March	**(98,895)**	**(86,463)**

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.

	2012/13 £000s	2011/12 £000s
Balance at 1 April	**948**	**256**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	329	692
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
Balance as at 31 March	**1,277**	**948**

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.

	2012/13 £000s	2011/12 £000s
Balance at 1 April	**(80)**	**(82)**
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	79	2
Balance as at 31 March	**(1)**	**(80)**

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.

	2012/13 £000s		2011/12 £000s
Balance at 1 April		**(57)**	**(54)**
Settlement or cancellation of accrual made at the end of the preceding year	57		54
Amounts accrued at the end of the current year	(33)		(57)
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		24	(3)
Balance as at 31 March		**(33)**	**(57)**

24. OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2012/13 £000s	2011/12 £000s
Interest Received	(176)	(41)
Interest Paid	7,319	534
Dividends Received	(196)	0
Net Cash Flows from Operating Activities	**6,947**	**493**

25. INVESTING ACTIVITIES

	2012/13 £000s	2011/12 £000s
Purchase of property, plant and equipment, investment property and intangible assets	16,174	15,043
Purchase of short-term and long-term investments	0	3,000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,954)	(1,494)
Proceeds from short-term and long-term investments	(2,000)	0
Other receipts from investing activities	(296)	(3,334)
Net Cash Flows from Investing Activities	**9,924**	**13,215**

26. FINANCING ACTIVITIES

	2012/13 £000s	2011/12 £000s
Cash receipts of short- and long-term borrowing	0	(208,837)
Other receipts from financing activities	1,618	(2,649)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	355	327
Repayments / (Payment) of short- and long-term borrowing	2,896	66
Other payments for financing activities	71	(47)
Net Cash Flows from Financing Activities	**4,940**	**(211,140)**

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 below (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. The second table shows the additional components that are added to take this management reporting to the format of the Comprehensive Income and Expenditure Account. Finally, the third table shows how this figure moves to the surplus/deficit on the provision of services.

2012/13	**General Fund**						**HRA**	
Portfolio Income and Expenditure	Chief Executive £000s	Finance £000s	Community Wellbeing £000s	Regeneration & Enterprise £000s	Housing (GF) £000s	Governance £000s	HRA £000s	Total all Funds £000s
Expenditure								
Employees	306	6,603	3,303	2,050	1,024	1,374	4,794	19,454
Premises-Related Expenditure	0	101	2,371	1,753	3	1	13,146	17,375
Transport-Related Expenditure	0	5	64	14	12	4	9	108
Supplies and Services	15	2,216	5,291	18,844	1,074	270	3,047	30,757
Third Party Payments	0	0	75	0	0	0	2	77
Transfer Payments	0	47,652	26	0	0	0	80	47,758
Support Services	14	63	43	66	23	224	58	492
Capital Financing Costs and Charges	0	0	0	0	0	0	6,802	6,802
Total expenditure	334	56,641	11,173	22,727	2,136	1,874	27,938	122,823
Income								
Income from Fees, Sales & Rent	(0)	(311)	(2,999)	(4,749)	(240)	(188)	(49,408)	(57,896)
Income - Recharges	0	0	(1)	(5)	0	24	(12)	4
Income - Grants & Contributions	0	(49,303)	(867)	(206)	(474)	(3)	0	(50,854)
Total income	(0)	(49,615)	(3,867)	(4,960)	(714)	(168)	(49,420)	(108,745)
Net Cost of Services	**334**	**7,026**	**7,305**	**17,767**	**1,421**	**1,706**	**(21,482)**	**14,078**

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of [directorate] 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 per management reporting		14,078
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Portfolio Analysis:		
Pension Fund Accounting Adjustment (IAS19)	(2,598)	
Depreciation & Impairment	24,643	
Amortisation of Intangible Assets		
Capital Grants and Contributions receivable	(2,353)	
Revenue Expenditure charged to revenue under statute (REFCUS)	1,652	
Bad debt provision (GF only as HRA is in figures above net cost of servic	48	
Accumulated Absences	(24)	
Miscellaneous Items		
Amounts included in the Portfolio Analysis not included in the Comprehensive Income and Expenditure Statement:		
Loan Interest Payments	(6,850)	14,518
Cost of Services in Comprehensive Income and Expenditure Statement		**28,596**

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.

2012/13	**Cost of Services £000s**	**Corporate Amounts £000s**	**Total £000s**
Fees, charges and other service income	(57,892)		(57,892)
Interest and investment income		(1,129)	(1,129)
Income from council tax		(7,203)	(7,203)
Government grants and contributions	(53,207)	(8,997)	(62,204)
Pension adjustments	(2,598)	2,630	32
Total income	(113,696)	(14,699)	(128,395)
Employee expenses	19,454		19,454
Other service expenses	102,877		102,877
Support service recharges	492		492
Depreciation, amortisation and impairment	24,643		24,643
Other accoutning adjustments	24		24
REFCUS	1,652		1,652
Interest payments	(6,850)	7,242	392
Payments to Housing Capital Receipts Pool		1,563	1,563
Gain or Loss on Disposal of Non-current Assets		(1,798)	(1,798)
Total expenditure	142,292	7,007	149,299
Surplus or deficit on the provision of services	28,596	(7,692)	20,904

2011/12 Comparative Figures

2011-12 Portfolio Income and Expenditure	General Fund: Commun-ity £000s	Corporate Services £000s	Finance £000s	Govern-ance £000s	Growth & Regenera-tion £000s	Housing (GF) £000s	Regulation £000s	HRA: HRA £000s	Total all Funds £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 Comparative Figures	**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

28. ACQUIRED AND DISCONTINUED OPERATIONS

The Council has neither Acquired nor discontinued any material operations during the financial year 2012/13.

29. ACCOUNTING STANDARDS ISSUED NOT ADOPTED

Revision to IAS19

The International Accounting Standards Board has published a final version of the revised IAS19 standard, which will apply for accounting periods beginning on or after 1 January 2013. In summary, the main changes that affect the Profit and Loss Charge are:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;
- Some labelling changes to the Profit and Loss charge e.g. “Service cost” now includes what was previously described as the “Current Service Cost” plus the “Past Service Cost” plus any “Curtailments” plus any “Settlements”.

Administration expenses are now accounted for within the Profit and Loss charge. Previously a deduction to the actual and expected returns on assets was made.
The changes set out above are effective for periods beginning on or after 1 January 2013 so do not affect the disclosures for 2012/13.

The following disclosure shows the difference that would have been recorded had the new standard been applied in 2012/13

Amounts recognised in the Comprehensive Income and Expenditure Account	Existing standard IAS19 2012-13	If the new standard had been adopted 2012-13
	£000’s	£000’s
Current Service Cost	1,853	2,003
Interest on Obligations	8,474	
Expected return on Scheme assets	(5,844)	
Net Interest on defined liability	2,630	3,871
Admin Expenses	0	26
Total	4,483	5,899
Actual returns on Scheme assets	12,465	12,491

There are four other accounting standards that have been issued, but not yet adopted. In each case these will be adopted on the 1st April 2013 and will be required to be complied with in the 2013-14 Statement of Accounts. For 2012-13 it is necessary to make the following four disclosures.

IAS1 Presentation of Financial Statements

The adoption of the 2011 amendments to IAS1 Presentation of Financial Statements will be included in 2013-14 Code. The presentation issues to provide new groupings of reclassifiable and non-reclassifiable will not impact on the Comprehensive Income and Expenditure Statement

IAS12 Income Taxes

The adoption of the 2010 amendments to IAS12 will be included in 2013-14 Code.
The new standard will not impact on the Comprehensive Income and Expenditure Statement, the Balance Sheet

IAS7 Financial Instruments

The adoption of IFRS 7 will be included in 2013-14 Code. The new standard will not have a material impact on the Comprehensive Income and Expenditure Statement, the Balance Sheet

Accounting Code of Practice Clarification 2013-14

The 2013-14 Code clarification of assets under construction and intangible assets will not have a material impact on the Comprehensive Income and Expenditure Statement, the Balance Sheet.

30. MEMBERS' ALLOWANCES

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

	2012/13 £000s	2011/12 £000s
Allowances	179	179
Expenses	6	7
Total	185	**186**

31. OFFICERS' REMUNERATION

Senior Employees

The remuneration paid to the Council's senior employees in 2012/13, including comparatives for 2011/12, was as follows:

Post Title	Notes	Salary (Including fees & Allowances)	Total Remuneration excluding pension contributions 2012/13	Pension contributions	Total Remuneration including pension contributions 2012/13
2012/13		£	£	£	£
Chief Executive		141,279	141,279	17,377	158,656
Chief Operating Officer		104,658	104,658	12,873	117,531
Head Of Governance		81,423	81,423	6,688	88,111
Head Of Community and Wellbeing		76,035	76,035	9,352	85,387
Head Of Housing		76,035	76,035	9,352	85,387
Head Of Regeneration		76,035	76,035	9,352	85,387
Head Of Finance		74,218	74,218	9,129	83,347
Assistant Chief Executive (Regeneration and Enterprise)		59,256	59,256	7,497	66,753
		688,939	688,939	81,620	770,559

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

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

Number of Employees

Remuneration band	2012/13 Total	2012/13 Left During Year	2011/12 Total	2011/12 Left During Year
£50,000 – £54,999	7	1	7	1
£55,000 – £59,999	3	2	1	0
£60,000 – £64,999	0	0	1	0
£65,000 – £69,999	0	0	0	0
£70,000 – £74,999	1	0	1	0
£75,000 – £79,999	3	0	5	0
£80,000 – £84,999	1	1	0	0
£85,000 – £89,999	0	0	0	0
£90,000 – £94,999	0	0	0	0
£95,000 – £99,999	0	0	0	0
£100,000 – £104,999	1	0	1	0
£105,000 – £109,999	0	0	0	0
£110,000 – £114,999	0	0	0	0
£115,000 – £119,999	0	0	0	0
£120,000 – £124,999	0	0	1	1
£125,000 – £129,999	0	0	0	0
£130,000 – £134,999	0	0	0	0
£135,000 – £139,999	0	0	0	0
£140,000 – £144,999	1	0	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		[c] Number of Other Departures Agreed		[d] Total Number of Exit Packages by Cost Band ([b] + [c])		[e] Total Cost of Exit Packages in Each Band	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
£0 - £20,000	3	11	0	1	3	12	£35,752	£82,121
£20,001 - £150,000	7	3	0	0	7	3	£257,674	£196,032
Total	10	14	0	1	10	15	£293,426	£278,153

32. 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 2012/13 incurring liabilities of £292,358 (£278,153 in 2011/12): see note above for the number of exit packages and total cost per band.

33. 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:

	2012/13 £000s	**2011/12** £000s
Fees payable for external audit services carried out by the appointed auditor for the year.	102	157
Fees payable/(refunds) for external audit services carried out by the appointed auditor for previous years	(9)	15
Fees payable to external audit in relation to current year grant claims.	31	0
Fees payable to external audit in relation to prior year grant claims.	61	66
Total	**185**	**238**

34. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13 (see overleaf):

	2012/13 £000s	2011/12 £000s
Grants Credited to Taxation and Non-specific Grant Income		
National Non-Domestic Rates	5,510	4,853
Revenue Support Grant	110	1,500
Transition Grant	0	118
Council Tax Freeze Grant	361	180
New Homes Bonus Grant	442	232
ECC Second Homes Discount Grant	14	18
Capital Grants	2,355	11,777
Total	**8,792**	**18,678**
Grants Credited to Services		
Rent Allowances	16,227	15,507
Rent Rebates	23,054	21,521
Council Tax Benefits	8,808	8,713
Housing Benefit Administration	777	864
Council Tax & NNDR Recovery	84	0
NNDR Empty Properties	0	2
Community Rights to Challenge	13	0
Business Rates	127	0
Local Housing Allowance	2	20
Homelessness	171	170
Future Jobs Fund	0	447
ESA Implementation	0	24
Crime Reduction Programme	0	41
Growth Fund	0	16
Housing Recession	0	8
Performance Reward	0	9
Housing Research	0	17
Rent Deposit	0	34
Repossession Prevention	0	98
Growth Area Funding / Programme of Development	51	430
Town Centre Partnership	10	0
Skills Funding agency	100	0
Revenues & Benefits Support	0	6
Benefit Fraud	28	8
Appeals & Overpayments	0	2
Council Tax	0	2
Sport England	0	2
West Essex Partnership	73	90
Total	**49,525**	**48,031**

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

	2012/13 £000s	2011/12 £000s
Grants Receipts in Advance (Capital Grants)		
English Partnership Pitch Regeneration	(312)	799
DCLG Food Waste	(254)	0
English Heritage Old Harlow High Street	0	8
Programme of Development - external partners	(2,176)	3,263
Total	**(2,742)**	**4,070**

35. 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 2013 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 2012/13 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 2012/13 is available on the Council's website at the following internet address:

www.harlow.gov.uk/councillor-declarations

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 2013 £000s	Creditors Outstanding as at 31 Mar 2013 £000s
Essex County Council	(2,098)	198	582	(313)
Essex Police Authority	(5)	1		(12)
Essex Fire Authority		1		
Harlow College	(1)	1	1	
Harlow Occupational Health Service		20		
Harlow Sports Trust (Incl Leisurezone)	(67)	435	14	(15)
Kier Harlow	(442)	24,962	209	(1,820)
Streets 2 Homes	(6)	44	2	(1)
Veolia Board		3,025	31	(507)
Harlow Council Regeneration Ltd		12		
	(2,619)	28,699	839	(2,668)

36. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2012/13 £000s	2011/12 £000s
Opening Capital Financing Requirement	**227,243**	**14,642**
Capital Investment		
Property Plant and Equipment	14,423	13,541
Investment Properties	33	96
Intangible Assets	368	580
Revenue Expenditure funded from Capital under Statute	1,653	210,756
Total Capital Investment	16,477	224,973
Sources of Finance		
Capital Receipts	(381)	(480)
Major Repairs Reserve	(12,117)	(7,676)
Government Grants and Other Contributions	(3,831)	(3,829)
Sums Set Aside from Revenue	0	0
Direct Revenue Contributions	(13)	(55)
MRP/ Loans Fund Principal	(695)	(332)
Total Sources of Finance	(17,037)	(12,372)
Closing Capital Financing Requirement	**226,683**	**227,243**
Explanation of Movements in Year		
Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	(206)	212,933
Assets acquired under finance leases	(354)	(332)
Increase/(decrease) in Capital Financing Requirement	**(560)**	**212,601**

37. 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 2013 £000s	31 March 2012 £000s
Other Land and Buildings	94	95
Vehicles, Plant, Furniture and Equipment	1,430	1,788
	1,524	**1,883**

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 2013 £000s	31 March 2012 £000s
Finance lease liabilities (net present value of minimum lease payments):		
- current	379	355
- non-current	1,031	1,410
Finance costs payable in future years	403	522
Minimum Lease Payments	**1,813**	**2,287**

The minimum lease payments are payable over the following periods:

	Minimum Lease Payments		Finance Lease Payments	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Not later than one year	474	474	379	355
Later than one year and not later than five years	1,074	1,543	947	1,326
Later than five years	265	270	84	84
	1,813	**2,287**	**1,410**	**1,765**

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 2013 £000s	31 March 2012 £000s
Not later than one year	74	31
Later than one year and not later than five years	121	78
Later than five years	0	0
	195	**109**

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 2013 £000s	31 March 2012 £000s
Not later than one year	71	125
Later than one year and not later than five years	201	226
Later than five years	71	107
	343	**458**

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:

	31 March 2013 £000s	31 March 2012 £000s
Minimum lease payments	103	52
	103	**52**

Council as Lessor

FINANCE LEASES

The Council has leased out property in the Town Centre to the NatWest Bank on a finance lease, with a remaining term of 78 years.

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

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

The gross investment is made up of the following amounts:

	31 March 2013 £000s	31 March 2012 £000s
Finance lease debtor (net present value of minimum lease payments):		
- current	0	0
- non-current	307	0
Unearned finance income	0	0
Unguaranteed residual value of property	0	0
Gross investment in the lease	**307**	**0**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Not later than one year	0	0	0	0
Later than one year and not later than five years	2	0	2	0
Later than five years	305	0	305	0
	307	**0**	**307**	**0**

As we believe there is no possibility that worsening financial circumstances might result in lease payments not being made, the Council has not set aside an allowance for uncollectable amounts of £0 (2011/12 £0).

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 £0 contingent rents were receivable by the Council (2011/12 £0).

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 2013 £000s	31 March 2012 £000s
Not later than one year	929	891
Later than one year and not later than five years	3,105	3,047
Later than five years	4,892	3,616
	8,926	**7,554**

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

38. IMPAIRMENT LOSSES

Assets may be impaired in one of two ways: (1) a downward revaluation of an asset due to economic changes – included in Note 11; (2) an event which has caused the value of the asset to significantly deteriorate, of which there were none during 2012/13.

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	
	2012/13	**2011/12**	**2012/13**	**2011/12**
	£000s	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• Current Service Cost	1,853	1,618	0	0
• Past Service Cost	0	0	0	0
• Settlements and Curtailments	150	75	0	0
Financing and Investment Income and Expenditure:				
• Interest Cost	8,474	9,094	503	545
• Expected Return on Scheme Assets	(5,844)	(6,745)	0	0
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,633	4,042	503	545
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement:				
• Actuarial gains and losses	(12,659)	(20,468)	(599)	(1,242)
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(8,026)**	**(16,426)**	**(96)**	**(697)**
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	4,633	4,042	0	0
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	4,860	4,791	0	0
• Retirement benefits payable to pensioners			(772)	(747)

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 2013 was a loss of £12,659,000 (as at 31 March 2012 it was a loss of £20,468,000).

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	
	2012/13	**2011/12**	**2012/13**	**2011/12**
	£000s	£000s	£000s	£000s
Opening balance at 1 April	**176,222**	**156,771**	**11,320**	**10,280**
Current service cost	1,853	1,618	0	0
Interest cost	7,971	8,549	503	545
Contributions by scheme participants	578	642	0	0
Actuarial gains and losses	20,447	13,599	599	1,242
Benefits paid	(6,486)	(5,032)	0	0
Unfunded pension payments	0	0	(772)	(747)
Past service costs	0	0	0	0
Entity combinations	0	0	0	0
Curtailments	162	75	0	0
Settlements	(86)	0	0	0
Closing balance at 31 March	**200,661**	**176,222**	**11,650**	**11,320**

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

	Local Government Pension Scheme 2012/13 £000s	Local Government Pension Scheme 2011/12 £000s
Opening balance at 1 April	**101,079**	**100,307**
Expected rate of return	5,844	6,745
Actuarial gains and losses	8,387	(5,627)
Employer contributions	4,860	4,791
Contributions by scheme participants	578	642
Benefits paid	(7,258)	(5,779)
Entity combinations	0	0
Settlements	0	0
Bulk transfer value	(74)	0
Closing balance at 31 March	**113,416**	**101,079**

The funded liabilities have increased by £24.4m, while assets have increased by £12.3m to a net increase in funded liabilities of £12.1m.

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 £12,465,000 (2011/12: £1,118,000).

As part of the contract with Harlow Welfare Rights & Advice dated 10th July 2009 for the provision of Welfare Rights and Advice Service, Harlow District Council agreed to be responsible for the pension assets and liabilities for a restricted number of staff, as set out in the legal agreement. This has now been included in the IAS19 disclosures for 2012/13 and has resulted in an increase at 31st March 2013 in the assets of £1,767,000 and in the defined benefit obligation of £2,839,000 i.e. a loss of £1,072,000. This is included in the pension statements within this document, together with a small gain of £43,000 from positive experience on unfunded liabilities.

	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s	2012/13 £000s
Present Value of Liabilities:					
Local Government Pension Scheme	130,429	173,123	156,771	176,222	200,661
Discretionary Benefits	9,394	11,833	10,280	11,320	11,650
Fair value of assets in the Local Government Pension Scheme	(74,120)	(99,295)	(100,307)	(101,079)	(113,416)
	65,703	85,661	66,744	86,463	98,895
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(56,309)	(73,778)	(56,464)	(75,143)	(87,245)
Discretionary Benefits	(9,394)	(11,883)	(10,280)	(11,320)	(11,650)
Total	**(65,703)**	**(85,661)**	**(66,744)**	**(86,463)**	**(98,895)**

Scheme History

The scheme deficit has fluctuated over the five year period and now rests at its highest level of £98.9 million.

The liabilities show that the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £212,311,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £98,896,000. However, statutory arrangements for funding the deficit mean that the financial position of the Council 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 2014 is £4,077,000. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2014 are £796,000.

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 2012/13	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.1%	6.4%
Government Bonds	3.0%	3.3%
Other Bonds	4.1%	4.6%
Property	5.1%	5.4%
Cash/ Liquidity	0.5%	0.5%
Other Assets	6.1%	n/a
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	22.7	22.7
- Women	25.3	25.3
Longevity at 65 for future pensioners:		
- Men	24.2	24.1
- Women	26.9	26.8
Rates of Inflation:		
RPI	3.2%	3.3%
CPI	2.4%	2.5%
Rate of increase in salaries	4.2%	4.3%
Rate of increase in pensions	2.4%	2.5%
Rate for discounting scheme liabilities	3.9%	4.6%
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:

	2012/13	2011/12
Proportion of Total Assets held:		
Equity investments	64%	70%
Gilts	7%	4%
Other Bonds	8%	10%
Property	12%	14%
Cash/ Liquidity	4%	2%
Other Assets	5%	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 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09	2009/10	2010/11	2011/12	2012/13
Differences between the expected and actual return on assets	-35.7%	21.2%	4.2%	-5.6%	5.8%
Experience gains and losses on liabilities	0.0%	0.0%	8.0%	-0.4%	-0.5%

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 2013 was £2,106,000 (£1,721,000 at 31 March 2012). 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. Note 21 to these accounts (above) sets out how Harlow Council has made a provision £206,000 in 2012/13 to cover the provisional first call made by the scheme of arrangement that has now been triggered. Working in conjunction with its Insurance Actuary, the Council has maintained earmarked reserves as a means of financing potential liabilities associated with MMI. As at 31 March 2013 the combined balance of these reserves was £974,000 after financing the new provision (as at 31 March 2012 the combined balance was £1,080,000). Annual contributions continue to be added to the reserves in order to cover future liabilities arising from potential claims. Now that the Scheme of Arrangement has been triggered, it is anticipated that further costs will be transferred to MMI's creditors; however the value and timing of those costs that may be passed to Harlow Council remain uncertain. In its latest scheme statement as at 31 March 2013, MMI indicates that the maximum claims which could potentially be required to be returned to MMI from Harlow District Council could amount to £1,375,000 (that maximum being based on 100% claw back of insurance claims). The recommendation of the Council's Actuary is that the Council continues to build its provision for claw back towards a level amounting to 90% of historical claims. 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

The Council has one employment tribunal case outstanding, but is unable at this stage to measure the degree of likelihood of any liabilities or the amounts of any potential obligations with sufficient reliability. Hence, no amount has been recognised within the accounts.

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.

As at the Balance Sheet date of 31 March 2013, the Council had recorded no contingent assets.

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 2012/13), which incorporates the prudential indicators, was approved by Council on 9 February 2012 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. The TMSS for 2012/13 set this limit at £260million.
- The Operational Boundary - this is the expected level of debt and other long-term liabilities during the year. The TMSS established this boundary at £250 million for 2012/13.

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 2012/13, which was approved by Full Council on 9 February 2012, can be found on the Council's website.

The Council uses the creditworthiness service provided by Arlingclose Limited, its treasury management advisors. This service provides the Council with analysis of the credit ratings issued by all three rating agencies, Fitch, Moody's and Standard and Poor's.

However, the Council does not rely solely on the current credit ratings of counterparties but also utilizes a range of additional indicators and information sources, including:

- credit watches and credit outlooks from credit rating agencies,
- Credit Default Swap spreads, which can provide early warning of likely changes in an institution's credit ratings,
- sovereign ratings to select counterparties from only the most creditworthy countries outside the UK (namely those countries that are 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 2013 that this was likely to arise.

The Council does not generally allow credit for its customers. As at 31 March 2013, £9.97 million of the £11.592 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 2013	31 March 2012
	£000s	£000s
Less than three months	1,715	716
Three to five months	259	316
More than 5 months	9,459	4,202
Total	**11,434**	**5,234**

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 2013	31 March 2012
	£000s	£000s
Less than 1 year	0	2,800
1 to 2 years	0	0
2 to 5 years	0	0
5 to 10 years	0	0
10 to 20 years	83,535	83,535
20 to 30 years	125,302	125,302
30 to 40 years	3,000	3,000
Total	**211,837**	**214,637**

A significant proportion of the borrowing shown in the table above (£208,827,000) was taken out in 2011/12 after the Localism Act introduced new reforms to the operation of housing finance. The reform meant that English councils took control of their housing rental income enabling them to plan effectively for the long term management of their key assets. Harlow Council was required to take its own share of the £28bn national housing debt.

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, whilst the Council had no short-term borrowing as at 31 March 2013, accrued interest of £81,000 is shown on the Balance Sheet as short-term borrowing (as at 31 March 2012, short-term borrowing comprised one PWLB loan of £2,800,000 due to mature in 2012/13, plus accrued interest of £85,000).

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 2012/13, 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 maintain protection of the Council's longer-term position in relation to borrowing for HRA self-financing whereby, in March 2012, advantage was taken of the lowest historic long-term interest rates for fixed-rate borrowing. 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, Arlingclose Limited, 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 (see overleaf), with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Full Council in the Treasury Management Strategy 9 February 2012):

Maturity Profile for External Borrowing	Approved Minimum Limits	Approved Maximum Limits	31 March 2013	31 March 2012
			£000s	£000s
Less than 1 year	0%	100%	0	2,800
1 to 2 years	0%	100%	0	0
2 to 5 years	0%	100%	0	0
5 to 10 years	0%	100%	0	0
More than 10 years	0%	100%	211,837	211,837
Total			**211,837**	**214,637**

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 2012/13, if interest rates had been 1% higher with all other variables held constant, there would have been no effect on the cost of the Council's borrowing due to the fixed nature of that borrowing. The impact on investment income of the same 1% increase would have resulted in an increase in investment income of £155,000 (in 2011/12 £112,000).

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

If the Council's borrowing had been of a variable interest rate nature and had interest rates had been 1% higher with all other variables held constant, the effect on the fair value of borrowing would have been for the Council's cost of borrowing to increase by £31,829,000 in 2012/13 (no comparator was available in 2011/12).

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 material exposure to loss arising from movements in exchange rates as a result of holding cash denominated in foreign currencies.

43. OTHER LONG-TERM LIABILITIES

	Balance as at 31 March 2013	Balance as at 31 March 2012
	£000s	£000s
Pension Scheme - Long-term Liabilities	98,896	86,463
Long-term Finance Lease Obligations	1,031	1,410
Other Long-Term Liabilities	14	106
Total Other Long-Term Liabilities	**99,941**	**87,979**

SUPPLEMENTARY FINANCIAL STATEMENTS

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HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

	Note	2012/13 £000s	Restated 2011/12 £000s	2011/12 £000s
Expenditure				
Repairs and Maintenance		(9,337)	(9,855)	(9,855)
Supervision and Management		(14,434)	(11,644)	(11,644)
Rents, Rates, Taxes and Other Charges		20	(53)	(53)
Negative HRA Subsidy Payable (including MRA)	H8	-	(14,314)	(14,314)
Depreciation and Impairments of Non-Current Assets	H7 & H12	(35,664)	(36,284)	(28,219)
Amortisation of Intangible Assets		(224)	(344)	(344)
Debt Management Costs		(9)	(78)	(78)
Movement in the Allowance for Bad Debts (not specified by the Code)		(308)	(170)	(170)
Payment to Secretary of State	H6	-	(208,837)	(208,837)
Sums directed by the Secretary of State that are expenditure in accordance with the Code		(10)	(10)	(10)
Total Expenditure		**(59,967)**	**(281,589)**	(273,524)
Income				
Dwelling Rents		42,501	39,704	39,704
Non-Dwelling Rents		2,458	2,472	2,472
Charges for Services and Facilities		3,935	3,704	3,704
Contributions towards Expenditure		102	257	257
Total Income		**48,996**	**46,137**	46,137
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		**(10,971)**	**(235,452)**	(227,387)
HRA Services' share of Corporate and Democratic Core		(337)	(341)	(341)
HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		-	-	-
Net Cost for HRA Services		**(11,308)**	**(235,793)**	(227,728)
HRA share of the operating income and expenditure				
Gain or (loss) on sale of HRA non-current assets		798	313	313
Interest payable and similar charges		(6,802)	(79)	(79)
Interest and investment income		35	139	139
Pensions interest cost and expected return on pensions		-	-	-
Capital grants and contributions receivable		300	857	857
Surplus or (deficit) for the year on HRA services		**(16,976)**	**(234,563)**	(226,498)

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).

Details of restatements that have been made to the Housing Revenue Account in respect of the previous financial year, 2011/12, are shown in the following notes to the Accounts:

Restatement for Property Plant & Equipment, Depreciation and Impairment	- Details contained in Notes H4, H7, H12 and H13.

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	**2012/13 £000s**	Restated 2011/12 £000s	2011/12 £000s
Balance on the HRA at 1 April		**3,350**	**2,768**	**2,768**
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(16,976)	(234,563)	(226,499)
Adjustments between accounting basis and funding basis under statute	H1	16,568	234,976	226,912
Net increase or (decrease) before transfers to or from reserves		(408)	413	413
Transfers (to) or from reserves	H2	27	169	169
Increase or (decrease) in year on the HRA		(381)	582	582
Balance on the HRA as at 31 March		**2,968**	**3,350**	**3,350**

H1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

	Notes	2012/13 £000s	Restated 2011/12 £000s	2011/12 £000s
Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year:				
Intangible Assets written down		224	344	344
Impairment of Fixed Assets		7,998	1,433	1,032
(Gain)/ Loss on sale of HRA fixed assets		(798)	(313)	(313)
Transfer to/ (from) Major Repairs Reserve		11,124	27,174	19,511
Investment Properties		-	3	3
Payment to Secretary of State		-	208,837	208,837
Employer's contribution payable to the ECC Pension Fund and retirement benefits payable direct to pensioners		(1,674)	(1,653)	(1,653)
Deferred Grants written down		(300)	(857)	(857)
Accumulated Absences		(6)	8	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		-	-	-
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year		**16,568**	**234,976**	**226,912**

H2. TRANSFERS TO / (FROM) RESERVES

	Notes	2012/13 £000s	2011/12 £000s
Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year:			
Contribution to Insurance Fund		391	359
Contribution to Perpetuity Earmarked Reserves		180	86
Interest on Earmarked Reserves		-	20
Contribution from Insurance Fund		(80)	(213)
Contribution from Perpetuity Earmarked Reserves		(518)	(421)
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year		**(27)**	**(169)**

H3. ANALYSIS OF THE HOUSING STOCK

	2012/13	2011/12
Analysis by Type of Dwelling		
Houses & Bungalows	6,082	6,114
Flats & Maisonettes	3,697	3,703
Other	7	7
Total Dwellings	**9,786**	**9,824**
Analysis by Number of Bedrooms		
Bedsitters	416	417
1 bedroom	2,090	2,095
2 bedrooms	3,721	3,728
3 bedrooms	3,173	3,197
4 bedrooms	351	352
5 bedrooms	28	28
Hostels	7	7
Total Dwellings	**9,786**	**9,824**
The change in stock can be summarised as follows:		
Stock at start of year (1 April)	9,824	9,888
Deduct Sales, Demolitions, etc	(38)	(64)
Stock at end of year (31 March)	**9,786**	**9,824**

H4. BALANCE SHEET VALUES FOR THE HOUSING STOCK

	as at 31 March 2013 £000s	Restated as at 31 March 2012 £000s	as at 31 March 2012 £000s
Council Dwellings:			
Land	176,637	164,944	181,742
Dwellings	332,326	337,478	361,414
Sub-Total	508,963	502,422	543,156
Other land and buildings	41,563	33,067	-
Vehicles, plant, furniture and equipment	7	15	15
Infrastructure and community assets	89	92	92
Assets under construction	-	-	-
Surplus assets not held for sale	2,222	1,961	1,961
Investment properties	791	1,316	1,316
Assets held for sale	1,847	166	166
Total HRA Balance Sheet Values	**555,482**	**539,039**	**546,706**

The Balance Sheet value of assets held as at 31 March 2012 has changed because of an understatement of depreciation on garages. In addition the Council's stock of garages, car spaces and car ports have been moved from 'Council Dwellings' to 'Other Land and Buildings' to reflect the changes in regulations regarding the disclosure and depreciation of non dwellings in the Housing Revenue Account. (See 'Notes to the Accounts' xxi, on page 40).

H5. VACANT POSSESSION

The vacant possession values of the Council's Housing stock as at 1 April 2012 amounted to £1,421,734,104 which included a valuation of £48,330,500 for garages, car ports and car spaces. The remaining sum of £1,373,403,604 is attributable to council dwellings, which is subject to a social housing factor of 39% (a reduction of 61%) giving a specific valuation of £535,627,406. The net valuation of housing stock is therefore £583,957,906.

	as at 1 April 2012 £000s	as at 1 April 2011 £000s
Vacant possession value of dwellings	**1,421,734**	**1,394,637**

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

Some expenditure that is classed as revenue expenditure under CIPFA's capital accounting rules in line with International Financial Reporting Standards can actually be financed from capital resources under statute. For example Home Improvement Grants to individuals. In Harlow this includes the Disabled Facilities programme totalling £377,278 in 2012/13. This expenditure is included in the Council's capital programme summaries to show the use of capital resources but the spending and capital resources are reflected in the Council's revenue accounts.

In 2011/12 as part of the Self Financing arrangements under The Localism Act 2011 Harlow Council was required to make a one-off payment to the Government of £208.837m. The transaction occurred on 28 March 2012.

H7. IMPAIRMENT CHARGES

Impairment	**2012/13** £000s	**Restated** **2011/12** £000s	**2011/12** £000s
Land	-	-	-
Dwellings	8,222	1,037	1,031
Other Property	0	396	1
Total	**8,222**	**1,433**	**1,032**
Operational Assets	8,222	1,037	1,031
Non-Operational Assets	0	396	1
Total	**8,222**	**1,433**	**1,032**

A restatement to the 2011/12 Balance Sheet in respect of non-operational assets was necessary to correct records for mobile telephone masts which were overstated in the accounts. This overstatement has been treated as an impairment, or reduction, in the value of the asset.

H8. HOUSING SUBSIDY

Housing Revenue Account Subsidy was abolished with the commencement of HRA self-financing, and therefore shows nil values in 2012/13. The subsidy payable to/ receivable from Central Government can vary because of adjustments to previous years' claims.

Housing Subsidy	**2012/13**	**2011/12**
	£000s	£000s
Management and Maintenance	0	17,464
Major Repairs Allowance	0	7,676
	0	**25,140**
Rent	0	(39,240)
Investment Income	0	(190)
Other Income	0	0
	0	**(39,430)**
Notional Subsidy Receivable/ (Payable)	**0**	**(14,290)**

H9. CAPITAL EXPENDITURE AND ITS FINANCING

	2012/13	**2011/12**
	£000s	£000s
HRA Capital Expenditure:		
Dwelling Stock	11,861	11,833
Non-Dwelling works	406	330
Investment in Information Technology	146	224
	12,413	**12,387**
Financed By:		
Supported Borrowing	0	3,611
Grant Contributions	296	857
Usable Capital Receipts	0	243
Revenue Contributions	0	0
Major Repairs Reserve	12,117	7,676
	12,413	**12,387**

H10. CAPITAL RECEIPTS

Summary of HRA Capital Receipts	**2012/13**	**2011/12**
	£000s	£000s
Sale of Council Houses - Direct	2,867	1,483
Sale of Council Houses - Deferred	0	0
Other (including shared ownership)	225	61
	3,092	**1,544**

The number of sales of Council houses increased in 2012/13 in response to the Government's Invigoration of Right to Buy Policy. 37 tenants purchased their properties under the Right to Buy Scheme.

Under the new Self Financing arrangements Councils retain a larger proportion of the capital receipt from each sale to compensate for the loss of rent from properties sold. In addition Councils retain up to 50% of receipts from other property or land sold in accordance with Capital Receipts Pooling Regulations.

H11. CAPITAL ASSET CHARGES ACCOUNTING ADJUSTMENT

The Capital Asset Charges Accounting Adjustment is no longer relevant following the commencement of HRA self-financing. The only figure relates to an adjustment for impairment, which was (-) £ 1,032,000 for 2011/12.

H12. CHARGES FOR DEPRECIATION

Depreciation	2012/13 £000s	2011/12 Restated £000s	2011/12 £000s
Council Dwellings	21,122	19,249	27,014
Other Land and Buildings	6,222	15,427	(1)
Vehicles, Plant, Furniture and Equipment	8	8	8
Infrastructure and Community Assets	2	-	-
Assets under construction	-	-	-
Surplus assets not held for sale	88	154	154
Investment properties	-	-	-
Assets held for sale	-	12	12
Total	**27,442**	**34,850**	**27,187**
Operational Assets	21,122	19,249	27,014
Non-Operational Assets	6,320	15,601	173
Total	**27,442**	**34,850**	**27,187**

The restatement for 2011/12 represents an increase in the charge for depreciation in 2011/12 to reflect an understatement of depreciation of garages. The depreciation of ‘Council Dwellings’ and ‘Other Land and Buildings’ has been adjusted to reflect the changes in regulations regarding the disclosure and depreciation of non-dwellings in the Housing Revenue Account. (See ‘Notes to the Accounts’ xxi, on page 40.)

H13. MOVEMENT ON THE MAJOR REPAIRS RESERVE

Major Repairs Reserve	2012/13 £000s	Restated 2011/12 £000s	2011/12 £000s
Balance as at 1 April	**0**	**0**	**0**
Transfers in - depreciation	27,666	34,850	27,187
Transfers out to the HRA	(11,124)	(27,174)	(19,511)
Capital Spending on Housing Stock met by the Reserve	(12,118)	(7,676)	(7,676)
Balance as at 31 March	**4,424**	**0**	**0**

New regulations require that the 'Transfers out to the HRA' are limited to adjustments for dwellings only. Non-dwellings form a real charge to the Housing Revenue Account – represented as a charge to the HRA with a corresponding credit entry to the Major Repairs Reserve. (See 'Notes to the Accounts' xxi, on page 40).

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 actual cost of pensions of £354,000 (2011/12: £277,000) is reversed out all the debits made for post-employment benefits applying the principles of IAS 19 and replace them with the pensions cost chargeable for the year in accordance with statutory provisions – employer's contributions paid to the pension scheme of £201,000 (2011/12: £200,000) relating to current employees providing HRA services, plus the continuing pension payments in relation to underfunding and early retirements awarded to HRA employees of £1,827,000 (2011/12: £1,731,000) making a total replaced statutory charge of £2,027,000 (2011/12: £1,931,000). The credit entry is to the Pensions Reserve.

H15. RENT ARREARS

Outstanding rent arrears at 31 March 2013 total £2,870,000 plus £193,000 overpaid housing benefit (£2,684,000 and £209,000 at March 2012). A provision for non-collectable debts has been made as at 31 March 2013 totalling £2,475,000 (£2,363,000 at March 2012).

The arrears exclude prepayments of £548,000 and may be analysed as follows:

Rent Arrears	**As at 31 March 2013** £000s	**As at 31 March 2012** £000s
Due from Current Tenants	1,436	1,249
Due from Former Tenants	1,434	1,435
Arrears (gross)	2,870	2,684
	0	0
Prepayments	(548)	(534)
Net Arrears	**2,322**	**2,150**

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:

Collection Fund (FINAL STATEMENT)	**2012/13 £'000**	**2011/12 £'000**
Income due:		
Council Tax		
Council Tax-payers	(35,803)	(35,397)
In respect of Council Tax Benefits	(8,770)	(8,782)
Total Council Tax – related income	**(44,573)**	**(44,179)**
Income due from Business Rate-payers:	(43,055)	(43,345)
Contributions:		
- Towards previous year's Collection Fund deficit / (surplus)	(533)	(183)
Total Income	**(88,161)**	**(87,706)**
Expenditure:		
Council Tax used to support expenditure on services:		
- Harlow District Council	7,217	7,208
- Essex County Council	31,178	31,142
- Essex Police Authority	3,922	3,786
- Essex Fire Authority	1,906	1,903
Total Precepts	**44,223**	**44,040**
Business Rates:		
- Payments to National Pool	42,928	43,217
- Cost of Collection	127	128
Payments to National Pool & cost of collection allowance	**43,055**	**43,345**
Provision for Bad and Doubtful Debts (Council Tax)	403	315
Total Expenditure	**87,681**	**87,700**
(Surplus)/Deficit for year	**(480)**	**(7)**
Balance brought forward (surplus)/deficit	**457**	**464**
Balance carried forward 31 March 2013 (surplus)/deficit	**(22)**	**457**

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 2012/13 our contribution to the national pool was £42.691 million and our entitlement £ 5.510 million.

The total Non Domestic Rateable Value as at 31 March 2013 was £111,792,945 (£114,287,943 at 31 March 2012). The multiplier for 2012/13 was set at 45.0p (42.6 pence for 2011/12). The product of this is £50,306,825 for 2012/13 (£48,686,664 for 2011/12). 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.

2012/13 Council Tax was set at £251.55 for a band D property (£251.55 for 2011/12).

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)	2,210	1,816.40	6/9	1,210.90
B	7,414	6,309.75	7/9	4,907.60
C	18,215	16,674.10	8/9	14,821.40
D	4,079	3,798.50	9/9	3,798.50
E	2,062	1,963.70	11/9	2,400.10
F	850	817.65	13/9	1,181.10
G	363	347.65	15/9	579.40
H	11	10.25	18/9	20.50
	35,207	31,740.50		28,920.90

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	(231.37)
Total Council Tax Base	**28,689.53**

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GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS AND ABBREVIATIONS

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.

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

Chartered Institute of Public Finance and Accountancy (CIPFA)
The professional accountancy body concerned with local authorities and the public sector.

Code of Practice (The Code)
The Code of Practice on Local Authority Accounting in the United Kingdom (issued by CIPFA) defines proper accounting practices for local authorities in England, Wales, Scotland and Northern Ireland.

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.

Componentisation

Assets are made up of different components which, by their nature, are required to be depreciated according to their individual economical lives. As a basic example, components in a building might comprise land, building structure, major mechanical and electrical items.

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. (See also Perpetuity Reserves.)

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 which become 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)

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

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.

Perpetuity Reserves

The Council has received funds from a range of sources over many years which have been attached to covenants (contractually binding obligations, usually indefinite in nature), or have incorporated other contractual or ring-fencing obligations. Such sums have been placed into perpetuity reserves with the objective that these funds will grow at a rate sufficient enough to cover the Council's covenant obligations. The growth of these funds come from further additions of money and from interest received from their investment as part of the Council's overall cash flow investments.

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

This is the amount which a Precepting Authority (e.g. a County Council) requires from a Billing Authority (e.g. District Councils) to meet its expenditure requirements. The Billing Authority collects these sums from its residents in by including them in the annual Council Tax bills.

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

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

Revenue Expenditure Funded from Capital under Statute

Capital expenditure which is allowable by statute to be funded from capital resources but which does not fall within the CODE's definition of 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.

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.

INDEPENDENT AUDITOR’S REPORT AND CERTIFICATE

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

Opinion on the Authority’s financial statements

We have audited the financial statements of Harlow District Council for the year ended 31 March 2013 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 1 to 43 for the core statements, H1 to H15 for the Housing Revenue Account and CF1 to CF2 for the Collection Fund. 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 2012/13.

This report is made solely to the members of Harlow District Council, as a body, 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance’s Responsibilities set out on page 13, 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 2012/13, and for being satisfied that they give a true and fair view. Our 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 us 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, we read all the financial and non-financial information in the Statement of Accounts 2012/13 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Harlow District Council as at 31 March 2013 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 2012/13.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2012/13 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we 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
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are 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 2013.

Certificate

We certify that we 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.

Debbie Hanson
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton

30 September 2013

Harlow Council
Annual Governance Statement 2012/13

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 must put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

1.3. The Council has in place all of the elements of a framework of governance 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 and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. The system is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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 Council's governance framework has been in place within the Council for the year ended 31 March 2013 and continues to be in place going forward.

3. The Governance Framework

Some of the key features of the systems and processes that comprise the Council's governance arrangements are:

- A new corporate plan covering 2013/14 to 2015/16 has been approved which sets out the Council's priorities and defines the goals to be achieved. Delivery of the corporate plan is supported by service plans and team plans and individual performance development reviews.

- 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 was approved by Cabinet in October 2012.
- The Constitution, which:
    - sets out the Council's decision-making framework
    - defines the supporting processes for these
    - gives a clear definition of the roles and responsibilities of Councillors, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer)
    - includes a scheme of delegation of responsibility, financial regulations and contract standing orders
    - defines codes of conduct for councillors and officers, and a protocol for how the two work together.
- A Guide to decision-making in the Cabinet style of governance, and associated guidance on report writing
- A standard committee report format that includes specific consideration of all legal, financial, professional and technical considerations underpinned by a modern.gov system for standardising, reviewing and publishing reports.
- 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 providing the opportunity for the public to raise issues where they believe that appropriate standards are not met.
- 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 three separate bodies. Two Overview Working Groups to carry out pre-scrutiny of Cabinet / Portfolio Holder decisions and a Scrutiny Committee which reviews community leadership issues and a Call-in Sub-Committee
- An Audit & Standards Committee with a strong focus on performance and delivery of improvement
- A Corporate Risk Strategy and toolkit which is reviewed regularly. The Risk Management Group draws upon lead officers from across the Council to ensure that issues and concerns are shared and that a consistent approach is adopted

throughout the organisation

- A Performance Management Framework, which underpins robust business planning, data quality, risk management and regular performance monitoring and reporting combined with financial 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. The Strategy is being reviewed and will be updated during 2013/14
- A strategy for encouraging stakeholder involvement which uses a range of community engagement and communications activities
- An embedded corporate equalities group that meets regularly
- An active Governance Group 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

4. Review of effectiveness

4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by

a) the work of the senior management team who have responsibility for the development and maintenance of the governance environment,

b) the Internal Audit Manager's Annual Report,

c) comments made by the external auditors,

d) other review agencies and inspectorates.

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

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

4.3. The review has been led by the Governance Group comprising the Monitoring Officer, the Section 151 Officer, the Policy and Performance Team Leader, the Internal 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. In addition, the Group has considered the following evidence:

a) Heads of Service governance declarations, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively;
b) The Internal Audit Manager's annual opinion on the Council's control framework, delivered to the Audit & Standards Committee, as the body charged with governance. The Audit Manager is of the opinion that overall an adequate level of assurance can be provided in connection with the Council's internal control environment. Areas for improvement were identified in a number of reviews and action plans agreed. In her opinion, for the 12 months ended 31 March 2013 the Council had adequate and effective risk management, control and governance processes to manage achievement of the Council's objectives. Where significant deficiencies in control processes have been identified by Internal Audit, the actions that the Council's management plan to take will, if implemented satisfactorily, resolve the deficiencies in the appropriate manner ;
c) External audit reports during and on the 2012/13 year. Where these exist, we have also used reports from other agencies and inspectorates.
d) Review of internal audit effectiveness.

4.4. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Governance Group, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The governance issues already addressed and those to be specifically addressed with new actions planned are outlined below.

4.5. During the year the Governance Group has been responsible for monitoring and reviewing the corporate governance framework and for considering specific governance issues as they arise. The work of this group has strengthened many of the Council's governance processes and has addressed issues raised in the Annual Governance Statement. In particular, the group 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. Governance Issues Identified

5.1. In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement. These include some issues that are still in progress from preceding years, which are restated here for completeness. All are set out in the table below, together with the steps to be taken to address them.

No.	Key improvement area	Update on position	Carry forward for 2013/14
1.	**Kier Harlow governance**	Governance arrangements in place regarding the annual service charge and the Kier Harlow Ltd contract were reviewed as part of the re-negotiation process. This included an independent review by PwC resulting in	Complete

No.	Key improvement area	Update on position	Carry forward for 2013/14
		an improvement action plan being put in place. Following the extension to the contract more rigorous scrutiny has been put in place and finance are more actively involved.	
2.	**Financial Regulations** to remain fit for purpose	Revised financial regulations and contract standing orders have been agreed by the Corporate Management Team and will be presented to the Constitution Panel in June 2013 and Full Council early in July 2013.	On target for roll out during 2013/14
3.	**Asset register** out of date	The new asset register was operational from April 2013.	Complete
4.	**Budget pressures** and the impact of the economic downturn. While this is mainly outside Council control, there is a risk of loss of services.	Those elements that are predictable have been built into the MTFS, along with a robust process to manage budgets within each year.	A key risk area has been income. The MTFS has addressed this pressure by either freezing or reducing income targets as appropriate. Certain earmarked reserves have been established and the minimum balances on both General Fund and HRA have been increased.
5.	**Risk management strategy** to remain fit for purpose and risk management embedded within business processes	A Risk Management Group was established during the year, and the Risk Management Strategy was approved by the Audit Committee in March 2012.	A further revision to the Risk Management Strategy was approved by the Audit and Standards Committee in June 2013 and Councillor training arranged for 2013/14.
6.	**Business continuity** arrangements have not been universally and systematically planned and tested.	A Corporate Business Continuity Plan was signed off by the Leader and CMT/Heads of Service in October 2012.	Following the senior management restructure in December 2012, the Corporate Business Continuity Plan needs to be updated. Service Business Continuity Plans will be produced

No.	Key improvement area	Update on position	Carry forward for 2013/14
			by September 2013 for critical Council services. Business continuity threats will form part of the Council's Risk Register.
7.	Induction of new councillors following May 2012 elections	A programme of induction and away days took place during 2012/13	Complete
8.	Procurement and contract monitoring	See item 2 above	See item 2 above. Revised contract standing orders will be rolled out alongside financial regulations during 2013/14.
9.	The governance arrangements for some partnerships are not fully documented	A review of partnership governance arrangements took place during 2012/13 with a joint working policy agreed by Cabinet in October 2012. This policy recognises the need to adopt a proportional approach to partnerships.	Complete
10.	Accounting systems upgrade	A project plan for the upgrade of the Council's financial system, Agresso, has been developed	The upgrade is planned to go live in February 2014.
11.	Government reforms to the welfare system and business rates	Localisation of business rates income and council tax support scheme commenced from April 2013. Further welfare changes including the benefits cap and universal credit will take effect during 2013/14. As the Council responds to these government reforms, the changes are reported at the appropriate stage to Cabinet.	These changes introduce new levels of volatility into the Council's income base, the impact of which needs to be assessed and reflected in the Council's financial modelling.

5.2. We plan to address these matters to further enhance the Council's governance arrangements over the coming year. The Governance Group and the Audit & Standards

Committee will monitor progress regularly. All actions are assigned to a named officer as part of their 2013/14 work plans. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. We will monitor their implementation and operation throughout the year and as part of our next annual review.

Signed: Date: 30 September 2013

(Leader of the Council)

Signed: Date: 30 September 2013

(Chief Executive)

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