Harlow District Council

Statement of Accounts
2013/14

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 2014.

The Statement of Accounts is a statutory document and provides information on the transactions relating to the provision of services by Harlow District Council. 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 the Council has 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
Harlow
Essex
CM20 1WG

Explanatory Foreword

Explanation of the financial statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. sums of money set aside by the Council that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves' (these are non-cash reserves which have originated as part of the various local Council historical accounting mechanisms). The "Surplus or Deficit on the Provision of Services" line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and 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 2013/14 Accounts

The Local Government Finance Act 2012 (the 2012 Act) was given Royal Assent on 1 November 2012. This instigated new regulations on Business Rates retention as part of a Business Rates reform package brought about by the Government. Under the new Business Rates retention scheme in England local authorities retain 50 per cent of the non-domestic rates they collect locally. Billing authorities (such as Harlow Council) pay over the “central share” to central government and the relevant proportionate share to their major precepting bodies. A system of “top-ups” and “tariffs” have been established which are calculated by comparing an individual authority’s Business Rates baseline to its baseline funding level. There are also protections built into the scheme by means of the safety net and levy and transitional protection payments. These protections are intended to part-cushion the effect of significant deficits in Business Rates collection. Harlow Council has needed to utilise the safety net protection in 2013/14 as a result of large changes in Business Rates collectable in the district. The safety net reduces the detrimental impact of the income reductions on its General Fund.

Results for 2013/14

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 £11.3 million (2012/13 £12.4 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	(2)	(7)	(5)
Finance	3,494	2,861	(633)
Community and Wellbeing	9,191	8,360	(831)
Regeneration and Enterprise	731	1	(730)
Housing (GF)	1,129	966	(163)
Governance	661	409	(252)
Other Corporate	(2,306)	(1,299)	1,007
Total Net Spending for the Year	**12,898**	**11,291**	**(1,607)**
Met by:			
Collection Fund Demand	(5,974)	(5,974)	0
Government Grants	(6,900)	(7,278)	(378)
Contribution to/(from) Balances	(24)	1,961	1,985
Total Financing	**(12,898)**	**(11,291)**	**1,607**

INTRODUCTION

The Council faced a challenging year having seen a cut of 7.68% 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 17 July 2014 details the financial performance against the agreed budget.

General Fund balances now stand at £4.8 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 2014/15, amounting to £0.256 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	10,315	10,111	(204)
Supervision and Management	5,885	5,429	(456)
Repairs	9,551	9,530	(21)
Rents, Rates, Taxes and Other Charges	53	16	(37)
Provision for Bad and Doubtful Debts	360	283	(77)
Supporting People Transitional Arrangements	6	9	3
Debt Management Costs	109	13	(96)
Major Repairs Allowance (Net Depreciation)	10,177	16,612	6,435
Interest Charges	6,819	6,825	6
Revenue Contribution to Capital Expenditure	9,251	1,101	(8,150)
Transfers to/from Insurance Fund	289	174	(115)
Total Spending for the year	**52,815**	**50,103**	**(2,712)**
Income			
Dwelling Rents	44,843	44,812	(31)
Non-Dwelling Rents	2,536	2,499	(37)
Other Rents	55	20	(35)
Charges for Services and Facilities	4,133	3,868	(265)
Transfer from Major Repairs Reserve	1,280	0	(1,280)
Interest Receivable	24	49	25
Total Income for the year	**52,871**	**51,248**	**(1,623)**
Net HRA (Surplus)/Deficit	**(56)**	**(1,145)**	**(1,089)**

Expenditure and income in the Housing Revenue Account for 2013/14 varied by a favourable £1,089,000 (2.06% of the budget). Principal variances included savings in general management costs whilst continuing to work towards the decent homes target of 2015; lower provision for doubtful debts following a delay in the implementation of changes to the benefit system; and the capital programme which was financed by a lower than estimated direct revenue contribution.

Capital spending

In its capital investment programme aligned with both General Fund and Housing services, the Council incurred capital expenditure totalling £26.2million in 2013/14 against an approved programme of £29.0 million, with schemes to the value of £1.9 million to be carried forward for completion in 2014/15.

Major housing schemes included

- General improvements to homes £22.4 million
- Garages £0.3 million
- Disabled facilities to all homes £1.5 million
- Redevelopment scheme to build council homes on vacant garage sites £0.2 million
- Open Market purchase of houses to rent to council tenants £0.7 million

Other schemes included

- IT development £0.2 million
- Work to council properties £0.4 million

In 2011/12 the Council entered into a Building Licence and Deferred Sale Agreement for the disposal of Marshgate Farm which became unconditional in 2012/13. In 2013/14 three properties out of a total of nine were sold resulting in a capital receipt. Sale of the remaining properties will take place in 2014/15.

Programme of Development

In 2013/14 the Council held £8.8 million as the Accountable Body for Programme of Development regeneration schemes. The grant monies included £8.4 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 2013/14 the Council drew down a total £1.2 million of which £0.2 million funded capital expenditure for work on Harlow's Priority Estates. Claims from partner authorities drew down a total of £0.9 million to fund capital works.

Internal Capital Financing

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

In 2013/14 capital investment was financed by £30,000 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

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 remain limited due to present economic conditions and their impact upon the property market. 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.

Current Economic Climate

As highlighted in previous years, the Council continues to manage 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 12.0% in this funding for 2012/13, a 7.7% reduction in 2013/14, a further 14.6% reduction in 2014/15 and a 16.4% reduction in 2015/16. It is anticipating further 10% year-on-year reductions thereafter. Future reductions are still subject to confirmation but current indications are that the cuts could be harsher than the financial plans have allowed for in those future years.

The Council has continued to experience pressures in its income from fees and charges from the services it delivers, but has started to experience some improvements in areas such as car parking and planning applications.

Pressures have again been managed within existing resources as demands for some services have increased during the year, especially in relation to changes in welfare reforms being introduced by the Government. Housing Services have also continued to experience increases in demand for service and housing provision.

Despite this climate of restriction and pressure the Council has continued 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 over the next three to four years.

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, increased reliance on Business Rates and the radical welfare reforms are all increasing the challenges significantly. 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 133 presents a true and fair view of the financial position of Harlow District Council as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

The unaudited Accounts were issued on 30 June 2014 and, when completed, the audited Accounts are scheduled to be presented to the Council's Audit and Standards Committee and Cabinet for review on 3 September 2014 and 4 September 2014, respectively, prior to authorisation and issue.

Signed ……………………………………… Date (11 September 2014)

Simon Freeman CPFA
Head of Finance

Signed ……………………………………… Date (11 September 2014)

Councillor Jon Clempner
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 2014

	General Fund Balance (2012/13 Restated) £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 (2012/13 Restated) £000s**	Unusable Reserves (2012/13 Restated) £000s	**Total Authority Reserves (2012/13 Restated) £000s**
Balance at 31 March 2012 carried forward	3,267	5,891	3,351	3,047			8,043	**23,599**	301,305	**324,904**
Movement in reserves during 2012/13										
Surplus / (Deficit) on the provision of services	(5,193)		(16,977)					**(22,170)**		**(22,170)**
Other Comprehensive Income and Expenditure									31,658	**31,658**
Total Comprehensive Income and Expenditure	**(5,193)**		**(16,977)**					**(22,170)**	**31,658**	**9,488**
Adjustments between accounting basis & funding basis under regulations (Note 6)	5,687		16,567		2,200	4,424	(1,481)	**27,397**	(27,397)	
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**
Movement in reserves during 2013/14										
Surplus / (Deficit) on the provision of services - REFCUS	(5,417)		(15,044)					**(20,461)**		**(20,461)**
Other Comprehensive Income and Expenditure									95,154	**95,154**
Total Comprehensive Income and Expenditure	**(5,417)**		**(15,044)**					**(20,461)**	**95,154**	**74,693**
Adjustments between accounting basis & funding basis under regulations (Note 6)	9,953		17,015		423	(2,007)	436	**25,820**	(25,820)	
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**4,536**		**1,971**		**423**	**(2,007)**	**436**	**5,359**	**69,334**	**74,693**
Transfers to/ (from) Earmarked Reserves (Note 7)	(2,563)	2,563	(826)	826						
Increase / (Decrease) in 2013/14	**1,973**	**2,563**	**1,145**	**826**	**423**	**(2,007)**	**436**	**5,359**	**69,334**	**74,693**
Balance at 31 March 2014 carried forward	**4,750**	**9,415**	**4,113**	**3,854**	**2,622**	**2,417**	**6,998**	**34,169**	**374,898**	**409,067**

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/ (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, overleaf. 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 2014

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	2013/14 Gross Expenditure	2013/14 Gross Income	2013/14 Net Expenditure	2012/13 Restated Gross Expenditure	2012/13 Restated Gross Income	2012/13 Restated Net Expenditure
		£000	£000	£000	£000	£000	£000
Central Services to the Public		3,746	(1,537)	2,209	13,195	(10,683)	2,512
Cultural and Related Services		5,773	(1,233)	4,540	5,535	(1,126)	4,409
Environmental and Regulatory Services		6,292	(2,551)	3,741	5,882	(2,366)	3,516
Planning Services		6,370	(4,032)	2,338	6,902	(2,585)	4,317
Highways and Transport Services		1,220	(1,438)	(218)	1,210	(1,404)	(194)
Local Authority Housing (HRA)		63,528	(51,353)	12,175	60,314	(49,007)	11,307
Other Housing Services		41,845	(41,640)	205	41,676	(40,975)	701
Adult Social Care		393	(334)	59	389	(325)	64
Corporate and Democratic Core		2,528	(1,350)	1,178	2,603	(1,042)	1,561
Non-Distributed Costs		2,051	(1,853)	198	2,291	(1,862)	429
Cost of Services				**26,425**			28,622
Other Operating Expenditure	8			2,916			(237)
Financing and Investment Income and Expenditure	9			8,795			9,984
Taxation and Non-Specific Grant Income	10			(17,678)			(16,199)
(Surplus)/ Deficit on Provision of Services				**20,458**			22,170
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets				(81,838)			(43,051)
Actuarial (Gains)/ Losses on Pension Assets and Liabilities				(13,315)			11,393
Other Comprehensive Income and Expenditure				**(95,153)**			(31,658)
Total Comprehensive Income and Expenditure				**(74,695)**			(9,488)

There has been a significant movement year-on-year in the total Comprehensive Income and Expenditure (£65.2m). This may be attributed to the following three major factors:

- A significant annual rise in the valuation of assets (£38.2million) due to market factors (see note 23a on page 79).
- Pension gains (£26.0million) of which a change in financial assumptions forms the largest single variation (see note 39 on page 103).

BALANCE SHEET AS AT 31 MARCH 2014

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	2013/14 £000	2012/13 £000
Property, Plant & Equipment	11	662,969	603,288
Heritage Assets	12	1,492	1,490
Investment Property	13	21,610	21,542
Intangible Assets	14	976	869
Long-Term Debtors	15	479	487
Long-Term Assets		**687,526**	627,676
Short-Term Investments	15	3,001	1,000
Assets Held for Sale	19	2,351	2,726
Inventories	16	32	31
Short-Term Debtors	17	13,192	11,592
Cash and Cash Equivalents	18	26,130	18,424
Current Assets		**44,706**	33,773
Short-Term Borrowing	15	(81)	(81)
Short-Term Creditors	20	(20,265)	(11,865)
Short-Term Provisions	21	(1,878)	(267)
Current Liabilities		**(22,224)**	(12,213)
Long-Term Creditors		(346)	(173)
Long-Term Provisions	21	(140)	(140)
Long-Term Borrowing	42	(211,837)	(211,837)
Other Long-Term Liabilities	43	(87,415)	(99,941)
Grants Receipts in Advance - Capital	34	(1,201)	(2,742)
Long-Term Liabilities		**(300,939)**	(314,833)
Net Assets		**409,069**	334,403
Usable Reserves	22 & MIRS	(34,171)	(28,826)
Unusable Reserves	23	(374,898)	(305,577)
Total Reserves		**(409,069)**	(334,403)

BALANCE SHEET AS AT 31 MARCH 2014

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 unaudited accounts were issued on 30 June 2014, and the audited accounts were authorised for issue on 11 September 2014.

Signed:

Simon Freeman CPFA
Head of Finance
11 September 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

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. loans) to the Council.

	Notes	2013/14 £000	2012/13 Restated £000
Net Surplus/(Deficit) on the Provision of Services		(20,458)	(22,170)
Adjustments to Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements		57,311	43,642
Adjustments for Items Included in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities		(9,297)	(4,455)
Net Cash Flows from Operating Activities		**27,556**	**17,017**
Investing Activities	25	(14,946)	(9,924)
Financing Activities	26	(4,904)	(4,940)
Net (Increase)/Decrease in Cash and Cash Equivalents		**7,706**	**2,153**
Cash and Cash Equivalents at the Beginning of the Reporting Period		18,424	16,271
Cash and Cash Equivalents at the End of the Reporting Period	18	**26,130**	**18,424**

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

	2013/14 £000	2012/13 £000
Depreciation	53,158	37,984
Impairment and Downward valuations	(12,450)	1,456
Amortisation	315	365
Movement in Collection Fund Adjustment Account	2,495	0
Increase/ Decrease in Creditors	2,846	134
Increase/ Decrease in Debtors	2,847	(312)
Increase/ Decrease in Inventories	(1)	3
Movement in Pension Liability	1,191	(227)
Contribution to/ (from) Provisions	1,611	290
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	5,535	2,650
Movement in Investment Property Valuations	(236)	33
Total	**57,311**	**42,376**

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:

	2013/14 £000	2012/13 £000
Capital Grants credited to surplus or deficit on the provision of services	(2,742)	(312)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(6,555)	(4,143)
Total	**(9,297)**	**(4,455)**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the financial year end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice applicable to 2013/14, 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 reliably measure 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 income 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 both 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. Prior Period Adjustments, Estimates and Errors, and Changes in Accounting Policies

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 (that is in the current and future years affected by the change) and do not give rise to a prior period adjustment.

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

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.

Changes to IAS 19 Employee Benefits Accounting Standard

The Code's adoption of the amendments to IAS19 Employee Benefits for accounting periods beginning on or after 1 January 2013 (1 April 2013 for Harlow Council) has resulted in a change in Accounting Policy for Post Employee Benefits. The nature of the changes relate to new classes of components of defined benefit cost to be recognised in the financial statements. These are in relation to the net pensions liability being analysed into Service Cost (comprising current service cost and past service cost), and re-measurements of the net defined benefit liability (or asset), comprising return on scheme assets and actuarial gains/ losses. Expected return on assets has been replaced with net interest on the net defined benefit liability (or asset), comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate. The Financial Statements have been amended to reflect these changes, with prior year comparatives restated as follows (overleaf):

Restatements Relating to Employee Benefits	2012/13 Original £000s	2012/13 Restated £000s	2012/13 Change £000s
Comprehensive Income and Expenditure Statement			
Cost of Services			
Current Service Cost	1,853	2,003	
Settlements and Curtailments	150	26	
Financing and Investment Income and Expenditure:			
Interest Cost	8,474	3,870	
Expected Return on assets in the scheme	(5,844)	-	
Surplus or Deficit on Provision of Services	4,633	5,899	**1,266**
Actuarial gains and losses	12,659	19,279	
Remeasurements of the net defined pensions liability	0	(7,886)	
Other Comprehensive Income and Expenditure	12,659	11,393	**(1,266)**
Movement in Reserves Statement			
Total Usable Reserves			
Surplus or Deficit on Provision of Services	(3,927)	(5,193)	(1,266)
Amount by which Pension costs calculated in accordance with the code are different from the contributions due under the pension scheme regulations	4,421	5,687	1,266
Unusable Reserves (includes Pensions Reserve)			
Actuarial gains/(losses) on pension assets and liabilities	(12,659)	(11,393)	1,266
Amount by which Pension costs calculated in accordance with the code are different from the contributions due under the pension scheme regulations	(4,421)	(5,687)	(1,266)
Balance at 31 March 2013 carried forward	(16,586)	(16,586)	**0**
Cashflow Statement			
Net (Surplus) or Deficit on Provision of Services	3,927	5,193	1,266
Adjustments to net surplus or deficit on the provision of services	42,376	41,110	(1,266)
Net (increase) or decrease in cash and cash equivalents	46,303	46,303	**0**

v. 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.

vi. 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 entitlement (for example 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, although based upon estimates of salary inflation because final inflationary increases may not be adopted until substantially later in the year. 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 District Council.

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

- The liabilities of the Essex County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of future earnings for current employees.
- The assets of Essex County Council Pension Fund attributable to the Council are

included in the Balance Sheet at their fair value:

- 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 the following components:

Service costs, comprising:

- 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 as a result of a scheme amendment or curtailment 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
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements, comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure,
- 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions

- Contributions paid to the Essex County Council Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

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

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.

vii. 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.

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.

However the Council has made a number of loans to leaseholders for capital works at less than market rates (referred to as soft loans). Prior to 2013/14, such loans have been small in value (a cash balance of £6,000 as at 31 March 2013), the associated accounting entries immaterial and the effective cost of interest foregone has consequently not been included within the accounting statements. The take-up of these loans is forecast to increase in future years (with a balance of £30,000 as at 31 March 2014, increasing thereafter). To accommodate future increases in the value of these transactions, a change in accounting policy will be applied with effect from 2013/14, as set out in the following paragraph:

> When soft loans are made (effective from 2013/14 onwards), a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a rate of interest aligned with market rates, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (for example dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. The only assets held for sale by the Council are in the form of Money Market Funds and their values are based on the market price. The investments made by this council are limited to funds of constant net asset value (where the principal invested remains unchanged) and, because there have been no gains or losses in principal repaid during the year, their values are recorded in the Balance Sheet at an amount equal to the principal invested (i.e. at cost). Equally, there are no gains or losses that have arisen upon the de-recognition of the asset.

viii. Foreign Currency Translations

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.

ix. 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.

x. Heritage Assets

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 pictures, models and small sculptures, most of which are on display in the Gibberd Gallery at the Civic Centre with the remainder in storage.

Externally displayed art works, mostly by leading 20th century artists, comprise assorted monuments, sculptures and designs. They are mainly situated throughout Harlow town with the remainder in storage.

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 few 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. The Council considers that of these, three pictures carry a material value and are recorded on the Balance Sheet as part of the Fine Arts Schedule. They are included at insurance values, which are reviewed every five years with a desktop review annually to ensure any potential material changes can be reflected.

Artefacts held at the Museum of Harlow

The Museum of Harlow is operated by Science Alive in partnership with Harlow Council. 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 is owned by Harlow Council, and 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 (viewable by appointment).

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.

Community Heritage Assets

Heritage assets (previously included as Community Assets) include the Sculpture Trail along the River Stort assembled in 2007/08, which features four freestanding sculptures and a metal and glass walkway. The trail links Parndon Mill to the Gibberd Garden in Harlow. These items are listed in the Fine Arts Schedule. The Sculpture Trail itself is included 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.

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

Council-owned Listed Buildings within Harlow town are used for housing purposes or are held as investments and are therefore recorded as operational assets. They are included on the Balance Sheet according to their respective asset categories.

Archaeological Sites

The town's archaeological sites include:

- A fully excavated Roman Temple,
- 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,
- 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,
- 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 amounts and any impairment of Heritage Assets are reviewed in accordance with the Council's general policy on impairment. Where Heritage Assets are disposed of, the gains or losses are posted to the Comprehensive Income and Expenditure Statement and subsequently adjusted in accordance with other non-current asset disposals; proceeds are treated as capital receipts unless below £10,000, in which case they are posted as revenue income.

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.

xi. 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.

xii. 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 Party Transactions note. Kier have also been partners in the development of 9 properties at Marshgate Farm under licence which started in September 2012 and will be completed on the second anniversary in September 2014.

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 Note 35 to the Accounts on Related Parties.

xiii. 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.

xiv. 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.

xv. 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 unspent grant from DCLG 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.

xvi. Leases

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

xvii. 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 2013/14 (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.

xviii. 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 line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

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

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.

Any non-dwelling depreciation is not subject to transitional arrangements which reverse any charge out of the HRA. It is a real charge to the HRA with a compulsory transfer to the Major Repairs Reserve.

Componentisation

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the asset, 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 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 not frozen in the previous asset category, but is held on the AHFS. It is only when the asset disposal takes place that the Revaluation Reserve is moved 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 (RTB) 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 opts to retain these receipts only where it is satisfied the three-year restriction can be met.

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.

xix. 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.

With effect from 1 April 2013 onwards, under the Local Government Finance Act 2012 where the Council is acting as agent under the Business Rates retention scheme on behalf of the major preceptors, central government and the Council itself (as principal), the Council makes provisions for ratepayer appeals against the rateable value of business properties in accordance with the CIPFA Code of Practice on Local Authority Accounting. The amount recognised as a provision is the best estimate at the Balance Sheet date of the expenditure required to settle the present obligation, taking account of the risks and uncertainties that surround many events and circumstances.

Provision for Back Pay Arising from Unequal Pay Claims

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

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.

xx. Reserves

The Council sets aside specific amounts as reserves (earmarked 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.

Where grants have been received by the Council for specific expenditure in future years, these sums are held in earmarked grants reserves in support of the required accounting mechanism for the carry-over of grants to subsequent accounting periods. Similarly, where the Council has accrued for receipt of safety net payments from central government under the Local Government Finance Act 2012, those sums will be held in an earmarked reserve set aside for the financing of related Collection Fund expenditure allocations that are applied in the following financial accounting year under the 2012 Act.

Certain reserves (Unusable 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.

xxi. 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.

xxii. Value Added Tax (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.
- Income from Business Rates will be affected in part by outstanding appeals that have been lodged, or may be lodged in the future. Appeals are made in respect of the rateable value (RV) given to the hereditaments by the Valuation Office Agency (VOA) for the 2010 rating list. The outcomes of appeals on valuation (including both appeals in progress and an estimate of potential future appeals) can only be estimated using methodologies and vulnerability of some types of property to a wide range of valuation opinion and assumptions. The property diversity and the scale of the estimating process therefore carry a degree of risk regarding the accuracy of the resulting appeals provision computed for the Collection Fund within the Statement of Accounts.
- 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 fourth year, not been subject to Componentisation due to the short life of the property, revealing no material change in depreciation.

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

The preparation of financial statements requires the Council to make judgments, 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 judgments 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 ordinarily amount to £277,000. 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. For more information on the treatment of depreciation in this year's Statement of Accounts, please see note H10 within the section covering the Housing Revenue Account.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions (i)	The Council has not made a provision for the settlement of claims for back pay arising from the Equal Pay initiative because no claims remain outstanding and all previous claims have been small in value. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	In the event that any further cases arise, a provision would be required. However, the accounting Code of Practice requires that the impact upon service costs is only realised in the year in which settlement is made.
Provisions (ii)	The following provisions have been made as at 31 March 2014:- £000s Land Charges 140 Asbestos-related injury claims 150 Business Rates appeals 1,727 2,017 The Council carries a provision of £140,000 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 of £150,000 has been made for the potential impact of two asbestos-related injury claims made against the Council. A third provision of £1.727 million has been made in relation to the estimated impact of appeals for Business Rate valuations.	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/ HRA balances, as appropriate. In relation to the provision made in respect of Business Rates appeals, any variation will initially fall upon the Collection Fund, from where the provision has been made; the regulated mechanism of the Fund allocates the impact of variations between the billing authority (Harlow Council), precepting authorities (Essex County Council and Essex Fire Authority) and central government. Should the value of appeals actually settled vary by +/- 1% of the total RV this would represent a £1.1m change compared to the sum provided of which Harlow's share would be £0.4m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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. Barnett Waddingham actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions cannot be measured accurately. The assumptions interact in complex ways. During 2013/14, the pension fund actuaries advised that the net pensions' liability had decreased by £12.106million. £13.297million was related to actuarial re-measurement gain less other movements of £1.191million
Arrears	At 31 March 2014, the Council had made significant provisions for doubtful debts, amounting to £5.841million in total. Council tenant rent bad debt provision increased to £2.698million, providing substantial cover for non-payment of arrears. The Housing Welfare reforms may create more challenges for rent collection from 2014/15 onwards, although the current level of cover has been assessed as adequate at present.	If the Council's collection rates were to deteriorate, an increase in the current provisions by 1% would require an extra provision of £58,000.

4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

Actuarial Gain

The Pension Fund Actuary has reported an actuarial gain for 2013/14 of £13.297 million. This is reported as a gain on the Comprehensive Income and Expenditure Statement, and is included in the line "Actuarial Gains/ Losses on Pension Asset and Liabilities".

The gain is not a benefit to the Council Tax but becomes part of the Pension Reserve.

Revaluation of Council Properties

The Council has undertaken a valuation of its assets at 1 April 2013. A further exercise has then been undertaken to establish whether there has been a change in value between 1 April

2013 and 31 March 2014. For certain assets, this has resulted in a new valuation at 31 March 2014, for example:

- For non-housing assets, the value of land has increased by approximately 1%, whereas building values have remained static.

- For housing assets, there has been increase in value in both the land and building asset.

The Council has reflected the 31 March 2014 value in the non-current asset register, reporting these movements in note 11.

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 30 June 2014, which is the date on which the Statement was authorised for issue by the Council's Head of Finance.

The Statement of Accounts was approved by the Council's Members on 11 September 2014. Any further issues arising that materially impact upon the Balance Sheet and accounting statements between the date of issue and the date of approval have been reflected within the Statement of Accounts approved on 11 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 2013/14 (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:

2013/14	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	(2,688)	(24,536)				27,224
Revaluation losses on Property Plant and Equipment	106	12,344				(12,450)
Movements in the fair value of Investment Properties	220	16				(236)
Amortisation of intangible assets	(144)	(171)				315
Capital grants and contributions applied	1,486	3,023				(4,509)
Income in relation to donated assets						
Revenue expenditure funded from capital under statute	(1,171)					1,171
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	(86)	(5,742)				5,828
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	485					(485)
Capital expenditure charged against the General Fund and HRA balances		1,100				(1,100)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	496	245			(741)	
Application of grants to capital financing transferred to the Capital Adjustment Account					305	(305)
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	610	6,237	(6,847)			
Use of the Capital Receipts Reserve to finance new capital expenditure			2,489			(2,489)
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals						

Continued overleaf

2013/14 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.	(3,935)		3,935			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						
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		(11,168)		(16,612)		27,780
Use of the Major Repairs Reserve to finance new capital expenditure				18,619		(18,619)
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		31				(31)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,706)	(447)				6,153
Employer's pensions contributions and direct payments to pensioners payable in the year	2,881	2,064				(4,945)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,495)					2,495
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	(12)	(11)				23
Total Adjustments	(9,953)	(17,015)	(423)	2,007	(436)	25,820

2012/13	General Fund Balance Restated £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves Restated £000s
	Usable Reserves					
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)
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 Restated	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves Restated
	£000s	£000s	£000s	£000s	£000s	£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)
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)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,545)	(354)				5,899
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 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	(5,687)	(16,567)	(2,199)	(4,424)	1,481	27,396

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 2013/14 and the preceding financial year, 2012/13.

Earmarked Reserve	Balance as at 31 Mar 2012 £000s	2012/13 Transfers Out £000s	2012/13 Transfers In £000s	Balance as at 31 Mar 2013 £000s	2013/14 Transfers Out £000s	2013/14 Transfers In £000s	Balance as at 31 Mar 2014 £000s
GENERAL FUND RESERVES							
Perpetuity Reserves	803	(1)	40	842	0	65	907
Discretionery Services Fund	1,000	(755)	1,093	1,338	(844)	640	1,134
Environment Reserve	101	0	5	106	(17)	9	98
Housing Benefits Subsidy Reserve	150	0	0	150	0	0	150
Insurance claims - GF	526	(101)	50	475	(37)	50	488
Insurance Fund - GF	727	(60)	183	850	(80)	206	976
Invest To Save Reserve	377	0	44	421	0	38	459
Partnership Fund	200	0	0	200	0	0	200
Debt Financing Reserve	0	0	294	294	0	0	294
Planning Reserve	102	(8)	149	243	(50)	0	193
Residual Land Transfer	93	0	0	93	0	0	93
Risk Management Reserve	0	0	40	40	0	38	78
Severance Reserve	828	(20)	0	808	0	127	935
Standards Committee Contingency	50	0	0	50	0	0	50
Total General Fund	**4,957**	**(945)**	**1,898**	**5,910**	**(1,028)**	**1,173**	**6,055**
HRA RESERVES							
Perpetuity Reserves	1,500	(414)	188	1,274	(358)	447	1,363
HRA OJEU Contract 2015	0	0	0	0	0	500	500
Insurance claims - HRA	554	(105)	50	499	(115)	50	434
Insurance Fund - HRA	993	(80)	342	1,255	(135)	380	1,500
Risk Management Reserve	0	0	0	0	0	56	56
Total HRA	**3,047**	**(599)**	**580**	**3,028**	**(608)**	**1,433**	**3,853**
EARMARKED GRANTS RESERVES							
General Fund	934	(159)	168	943	(125)	2,543	3,361
Total Earmarked Grants	**934**	**(159)**	**168**	**943**	**(125)**	**2,543**	**3,361**
Total All Earmarked Reserves	**8,938**	**(1,703)**	**2,646**	**9,881**	**(1,761)**	**5,149**	**13,269**

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 as a bridging mechanism to keep in place services to the community that are not statutorily required of the Council and to contribute financial support to organisations during the transfer and development of discretionary services.
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 received in earlier years and is used to drive improvements to services or to fund initiatives for increasing efficiency.
Partnership Fund	Established to help meet the Council's share of the implementation costs of the Revenues and Benefits entering potential partnership arrangements for the delivery of a joint Revenues and Benefits service.
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 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.
Risk Management Reserve - GF	This reserve was established in order to finance future initiatives that reduce potential insurance/ liability claims against the Council. The long-term intention is to reduce insurable risks, which should help to contain future growth in insurance premiums.
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.
Insurance Claims - HRA	As described under the General Fund, above.
Insurance Fund - HRA	As described under the General Fund, above.
Risk Management Reserve - 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.

The balance of these reserves has substantially increased in 2013/14 in order to accommodate new accounting regulations associated with the Collection Fund and Business Rates retention. In this respect, a debtor of £2.52 million was added to the Balance Sheet as at 31 March 2014 to reflect a Safety Net payment due from central government. An equivalent sum has been placed in a new earmarked reserve to finance the cost that will, ultimately, fall upon the General Fund budget as part of the Collection Fund recharging mechanism, which causes a delay in the allocation of Collection Fund balances to its precepting authorities.

8. OTHER OPERATING EXPENDITURE

	2013/14 £000s	2012/13 £000s
Payments to the Government Housing Capital Receipts Pool	3,935	1,563
(Gains)/ Losses on the disposal of Non-Current Assets	(1,019)	(932)
Capital Grant Repayment	0	(868)
Total	**2,916**	**(237)**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2013/14 £000s	2012/13 £000s
Interest payable and similar charges	7,104	7,242
Pensions interest cost and expected return on pensions assets	3,779	2,630
Interest receivable and similar income	(122)	(107)
Income and expenditure in relation to investment properties and changes in their fair value	(1,966)	(825)
Other investment income		(196)
Total	**8,795**	**8,744**

In 2012/13 the Council received a dividend of £196,000 from the liquidators of the Bank of Credit and Commerce International (BCCI), which is recorded above as Other Investment Income in that financial year.

10. TAXATION AND NON-SPECIFIC GRANT INCOME

	2013/14		2012/13
	£000s	£000s	£000s
Council tax income		6,135	7,203
Retained Business rates	4,810		5,510
HDC Share of Business Rate Surplus/(Deficit)	(2,656)		
		2,154	
Local Council Tax Support Scheme		1,282	0
Non-ringfenced government grants		4,133	1,131
Capital grants and contributions		3,974	2,355
Total		**17,678**	**16,199**

Changes to Local Government Funding

2013/14 saw major changes to Local Government funding which can be seen in the comparator figures in the table above. Due to the replacement of Council Tax Benefits with a new Local Council Tax Support Scheme, the amount of Council Tax due to the Council from the Collection Fund has reduced but is offset by a new Local Council Tax Support Scheme grant. The funding changes have also impacted the Revenue Support Grant.

In 2013/14 there was a change to the method for distributing and accounting for Business Rates income. Prior to 1st April 2013 Non-Domestic Rates were collected by the Council and then paid over to the Government, which then redistributed these sums across the country in the form of the Non-Domestic rates grant.

From 1st April 2013 a new system of Business Rates Retention has been introduced by the Government whereby local authorities retain 50% of the Business Rates collected for their area ((Harlow Council (40%), Essex County Council (9%) and Essex Fire Authority (1%)) and pay the remaining 50% to central government. In addition the Government has set a level of Business Rates funding deemed to be applicable to each area and every Council receives a top-up (if Business Rates collected are below this deemed level of funding) or pays a tariff (if Business Rates collected are above this deemed level of funding).

Following the introduction of Business Rates Retention, if a local authority increases its Business Rates base and thereby increases its Business Rate income, it is allowed to retain a proportion of this increased income, whilst paying up to a maximum of 50% across to central government. This payment is known as a levy payment.

The Government has also stated that no local authority will suffer a reduction in Business Rate income of more than 7.5% of its Business Rates funding baseline. If Business Rates income falls below this 7.5% level (£204k for Harlow Council) then the Government makes a safety net payment back to the local authority.

11. PROPERTY, PLANT AND EQUIPMENT

Movements in 2013/14

2013/14	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 2013	**530,171**	**89,119**	**5,677**	**6,867**	**931**	**4,530**	**0**	**637,294**
Additions	24,440	750	307	131	2			**25,630**
Donations								**0**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	24,567	(27)				502		**25,042**
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(11,213)	(1,078)				(359)		**(12,650)**
Derecognition - Disposals	(2,849)					(480)		**(3,329)**
Derecognition - Other	(0)	(566)				(0)		**(566)**
Assets reclassified (to)/from Held for Sale								**0**
Other movements in cost or valuation	(1,191)	98	0	(0)		(329)		**(1,422)**
Cost of Valuation at 31 March 2013	**563,923**	**88,296**	**5,984**	**6,998**	**933**	**3,864**	**0**	**669,999**
Accumulated Depreciation and Impairment at 1 April 2013	**(21,208)**	**(8,559)**	**(2,892)**	**(1,240)**		**(108)**		**(34,007)**
Depreciation Charge	(21,387)	(7,459)	(624)	(218)		(97)		**(29,785)**
Depreciation written out to the Revaluation Reserve	42,500	12,715				181		**55,396**
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	8	160				11		**179**
Impairment losses/ (reversals) recognised in the Revaluation Reserve	412	28						**440**
Impairment losses/(reversals) recognised in the Surplus/(Deficit) on the Provision of Services	(325)	1,056			(2)	17		**746**
Derecognition - Disposals								**0**
Derecognition - Other								**0**
Other movements in depreciation and impairment	0	23				(22)		**1**
Accumulated Depreciation and Impairment at 31 March 2014	**0**	**(2,036)**	**(3,516)**	**(1,458)**	**(2)**	**(18)**	**0**	**(7,030)**
Net Book Value								
At 31 March 2014	563,923	86,260	2,468	5,540	931	3,846	0	**662,969**
At 31 March 2013	508,962	80,560	2,785	5,627	931	4,422	0	**603,288**
Variation	**54,961**	**5,700**	**(317)**	**(87)**	**0**	**(576)**	**0**	**59,681**

11. PROPERTY, PLANT AND EQUIPMENT CONT.
Comparative Movements 2012/13

2012/13	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	**530,171**	**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	**6,540**	**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**

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 2014 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 £2,391,616. Similar commitments at 31 March 2013 were £740,000. The major commitments are:

Scheme	Future Commitment £000s
Gas Central Heating	57
Flat Block Works	171
Upgrade Landlords Lighting	424
External Works – Roofing	459
Internal Decent Homes Improvements	404
Commercial Properties	132
Total Capital Commitments	**1,647**

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 2013, with additional work undertaken to assess property values as at 31 March 2014. Where changes had occurred, these were reflected within the Balance Sheet as at that date.

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 Great Parndon, Potter Street, Church Langley and Latton, including the Bush Fair Shopping Centre, 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 2013 as part of the valuation process and reviewed as at 31 March 2014. Thirty 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 Great Parndon, Potter Street, Church Langley and Latton, including the Bush Fair Shopping Centre were re-valued by the District Valuer.

Surplus Assets - Surplus assets includes one property 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	444,180	56,670	2,236	1,467	504,553
Valued at fair value as at:					
31 March 2014	563,923	86,260	2,468	3,846	656,497
31 March 2013	508,963	80,654	2,785	4,467	596,869
31 March 2012	502,423	73,957	3,329	3,592	583,301
31 March 2011	517,550	36,355	3,855	0	557,760
31 March 2010	626,667	35,593	4,415	0	666,675

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 2012	612	25	853	1,490
as at 31 March 2013	612	25	853	1,490
Cost or valuation:				
as at 1 April 2013	612	25	853	1,490
Additions	0	2	0	2
as at 31 March 2014	**612**	**27**	**853**	**1,492**

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 2013/14.

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 and the Council therefore does not 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, was loaned to the Henry Moore Foundation during 2013 for a major exhibition by the artist. She remains 'on tour'. 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 Assets include the Bandstand in the Town Park and six War Memorials which will be refurbished in commemoration of the centenary of the outbreak of the Great War in 1914. 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, which 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 Council's financial statements and therefore are excluded from the Balance Sheet.

Listed Properties

Harlow has 18 Listed Buildings within the Town. These are mainly 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.

Kingsmoor House is a Surplus Assets, and currently subject to a development initiative, which will result in its 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, close to Gilden Way and the other near to 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.

There were no additions to or disposals of heritage assets in 2012/13 or 2013/14.

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 2013/14. 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:

	2013/14	**2012/13**
	£000s	£000s
Rental income from investment property	1,884	1,679
Direct operating expenses arising from investment property	(155)	(137)
Net gain/(loss)	**1,729**	**1,542**

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:

	2013/14 £000s	2012/13 £000s
Balance at start of the year (1 April)	21,542	21,605
Additions:		
Subsequent Expenditure	102	33
Disposals:		
Net gains/ (losses) from fair value adjustments	134	(63)
Transfers:		
(to)/ from Property, Plant & Equipment	(168)	(33)
Balance at end of the year (31 March)	**21,610**	**21,542**

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

Movement on Intangible Asset Balances	**2013/14** Internally Generated Assets £000s	**2013/14** Other Assets £000s	**2013/14** Total £000s	**2012/13** Internally Generated Assets £000s	**2012/13** Other Assets £000s	**2012/13** Total £000s
Balance at start of year:						
- 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)
Net carrying amount at start of year	**0**	**869**	**869**	**0**	**981**	**981**
Additions:						
- Internal development	0	0	0	0	0	0
- Purchases	0	424	424	0	368	368
- Acquired through business combinations	0	0	0	0	0	0
Assets reclassified as held for sale	0	0	0	0	0	0
Other disposals	0	0	0	0	0	0
Revaluations increases or decreases	0	0	0	0	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	(116)	(116)
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	(317)	(317)	0	(364)	(364)
Other changes	0	0	0	0	0	0
Net carrying amount at end of year	**0**	**976**	**976**	**0**	**869**	**869**
Comprising:						
- Gross carrying amounts	0	2,880	2,880	0	2,456	2,456
- Accumulated amortisation	0	(1,904)	(1,904)	0	(1,587)	(1,587)
	0	**976**	**976**	**0**	**869**	**869**

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

	Carrying Amount		Remaining
	as at 31 Mar 2014	as at 31 Mar 2013	Amortisation Period
	£000s	£000s	
Housing IT Development (2013/14)	93		3 years
IT Non Hardware 2013/14 (incl Committee Management System)	30		3 years
Housing IT Development (2012/13)	117	146	2 years
Housing IT Development (2011/12)	112	168	1 years
Housing IT Development (2010/11)		86	0 years
Total	**352**	**400**	

15. FINANCIAL INSTRUMENTS

Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument, of another entity. Non-exchange transactions (that is where no goods or services change hands), such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans (borrowing) from the Public Works Loan Board,
- short-term borrowing, which comprises interest accrued on PWLB loans as at the financial year-end,
- finance leases detailed in Note 37,
- guarantees given on loans borrowed by Home Housing Association (see Note 40),
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following classifications:

- Loans and receivables (financial assets that have fixed or determinable payments

and are not quoted in an active market), comprising:
- ○ cash in hand,
- ○ bank current and deposit accounts with the Co-operative bank,
- ○ fixed-term deposits with banks and building societies,
- ○ loans to other local authorities,
- ○ loans to leaseholders made for service purposes,
- ○ lease receivables detailed in Note 37,
- ○ trade receivables for goods and services delivered.

- Available for sale financial assets (those that are quoted in an active market), comprising:
  - ○ money market funds.

Financial Instruments - Balances

Financial Instruments disclosed in the Balance Sheet are analysed across the following categories:

	Long-term		Current	
	as at 31 Mar 2014 £000s	as at 31 Mar 2013 £000s	as at 31 Mar 2014 £000s	as at 31 Mar 2013 £000s
Investments				
Loans and receivables			16,701	7,624
Available-for-sale financial assets			12,430	11,800
Total Investments	**0**	**0**	**29,131**	**19,424**
Debtors				
Loans and receivables	479	487	9	0
Financial assets carried at contract amounts			5,510	5,746
Total included in Debtors	**479**	**487**	**5,519**	**5,746**
Borrowings				
Financial liabilities at amortised cost	211,837	211,837	81	81
Total included in Borrowings	**211,837**	**211,837**	**81**	**81**
Other Long-term Liabilities				
Finance lease liabilities	626	1,031		
Total included in Other Long-term Liabilities	**626**	**1,031**		
Creditors				
Financial liabilities at amortised cost		14		
Financial liabilities carried at contract amount	346	173	17,225	9,605
Total included in Creditors	**346**	**187**	**17,225**	**9,605**

Material Soft Loans Made by the Council

Soft loans are those advanced at below market rates in support of the Council's service priorities. Harlow Council offers support to leaseholders who will be faced with large bills under the modern homes programme. The facility started in April 2012, and is intended to assist in allowing leaseholders to spread their payments over a more manageable term.

Prior to 1 April 2013, the value of soft loans was low and deemed to be not material (only £5,000 advanced in 2012/13). However, it is the Council's view that, in future years, they will become increasingly material and warrant inclusion in the Statement of Accounts. Nearly £28,000 was advanced in 2013/14 and, as part of the Council Housing Investment Programme between 2015-16 and 2018-19, work scheduled to be carried out on leaseholder properties and associated communal areas is anticipated to result in further loans being advanced. Therefore, with effect from 2013/14, they are included in the Balance Sheet at Fair Value.

The movements on material soft loans balances are:

Soft Loans	**2013/14** £000s	2012/13 £000s
Opening Balance at start of year	6	0
Nominal value of new loans granted in the year	28	6
Fair value adjustment on initial recognition	(2)	0
Loans repaid	(4)	0
Closing Balance at end of year	**28**	**6**
Nominal (cash) Value at 31 March	**30**	**6**

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items (see overleaf):

Financial Instruments Income, Expense, Gains and Losses	Financial Liabilities	Financial Assets		2013/14 Total	2012/13 Total
	Amortised Cost	Loans & Receivables	Available-for-Sale Assets		
	£000s	£000s	£000s	£000s	£000s
Interest expense	7,104	0	0	7,104	7,242
Total interest payable and similar charges	**7,104**	**0**	**0**	**7,104**	**7,242**
Interest income	0	(86)	(36)	(122)	(305)
Total income in Surplus or Deficit on the Provision of Services	**0**	**(86)**	**(36)**	**(122)**	**(305)**
Net (gain)/ loss for the year	**7,104**	**(86)**	**(36)**	**6,982**	**6,937**

Financial assets classified as loans and receivables and financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2014, using the following assumptions:

- PWLB loans (Public Works Loan Board) have been discounted at the published interest rates for new certainty rate loans arranged on 31 March (The Council's entire borrowing portfolio as at 31 March 2014 is sourced from PWLB. PWLB is a statutory body operating with the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. For loans such as those from the PWLB, 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 2013/14.);
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months, the carrying amount is assumed to sufficiently approximate to fair value;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

Fair Values of Financial Assets and Financial Liabilities	as at 31 March 2014		as at 31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000s	£000s	£000s	£000s
Financial Liabilities				
Loans Borrowed	211,837	214,888	211,837	232,026
Finance Leases	626	626	1,045	1,045
Trade payables	17,571	17,571	9,778	9,778
Total Liabilities	**230,034**	**233,085**	**222,660**	**242,849**
Financial Assets				
Investment Balances	28,459	28,459	17,789	17,789
Loans for Service Purposes	488	491	487	487
Trade Receivables	5,510	5,510	5,633	5,633
Total Assets	**34,457**	**34,460**	**23,909**	**23,909**

The fair value of financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The fair value for financial assets at the Balance Sheet date is higher than the carrying amount because the Code of Practice requires the Council to calculate the impact of reduced cash flows and apply that reduction to the carrying amount in respect of Soft Loans to reflect the reduced interest due to over the length of the loans.

The majority of financial assets of the by the Council as at 31 March are of a short-term nature; for short-term assets the carrying value in the Balance Sheet is considered to be a reasonable approximation of the fair value.

16. INVENTORIES

Consumables Stores	2013/14	2012/13
	£000s	£000s
Balance Outstanding at Start of Year (1 April)	31	34
Purchases	301	230
Recognised as an expense in the year	(300)	(230)
Written-off balances	0	(3)
Reversals of write-offs in previous years	0	0
Balance Outstanding at End of Year (31 March)	**32**	**31**

17. DEBTORS

The table below shows the amount that was owed to the Council at 31 March 2014 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

	Balance as at 31 March 2014 £000s	Balance as at 31 March 2013 £000s
Central government bodies	5,113	3,271
Other local authorities	1,069	1,781
Other entities and individuals	7,010	6,540
Total	**13,192**	**11,592**

18. CASH AND CASH EQUIVALENTS

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

	Balance as at 31 March 2014 £000s	Balance as at 31 March 2013 £000s
Cash held by the authority	12	4
Bank current accounts	643	620
Short-term deposits with financial institutions	25,475	17,800
Total	**26,130**	**18,424**

19. ASSETS HELD FOR SALE

	Current	
	2013/14 £000s	**2012/13** £000s
Balance outstanding at start of year	2,726	166
Assets newly classified as held for sale:		
- Property, Plant and Equipment	2,016	2,726
Revaluation gains	103	
Assets sold	(2,494)	(166)
Balance Outstanding at Year-end	**2,351**	**2,726**

20. CREDITORS

The table below shows the amount that the Council owed as at 31 March 2014 to third parties, together with amounts received by the Council in advance of supply of goods or services.

	Balance as at 31 March 2014 £000s	Balance as at 31 March 2013 £000s
Central government bodies	723	447
Other local authorities	819	543
Other entities and individuals	18,723	10,875
Total	**20,265**	**11,865**

21. PROVISIONS

The total values for Provisions held at 31 March 2014 are shown in the table below.

Long-Term Provisions	**Injury and Damage Compensation Claims** £000s	**Other Provisions** £000s	**Total** £000s
Balance as at 31 March 2012	**0**	**117**	**117**
Additional provisions made in 2012/13	0	23	23
Balance as at 31 March 2013	**0**	**140**	**140**
Balance as at 31 March 2014	**0**	**140**	**140**

Short-Term Provisions	**Injury and Damage Compensation Claims** £000s	**Other Provisions** £000s	**Total** £000s
Balance as at 31 March 2012	**0**	**0**	**0**
Additional provisions made in 2012/13	0	267	267
Balance as at 31 March 2013	**0**	**267**	**267**
Additional provisions made in 2013/14	150	1,728	1,878
Amounts used in 2013/14	0	(206)	(206)
Unused amounts reversed in 2013/14	0	(61)	(61)
Balance as at 31 March 2014	**150**	**1,728**	**1,878**

There are no provisions required to be held by the Council in relation to outstanding legal cases. Other provisions, shown in the table above, are detailed below:

Environmental Information Regulations

Two groups 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 (unchanged from 2012/13) 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 Appeals

As part of the reform of Business Rates by the Government from 1 April 2013, the settlement of successful appeals for rateable value adjustments is now born locally through the Collection Fund and, subsequently, shared amongst those bodies drawing funding allocations from the Collection Fund. A comprehensive review and assessment of the potential liabilities of the Fund has been conducted and, as a result, a provision of £4.318m has been made for Business Rate appeals, which recognises the likelihood of successful appeals in progress and the potential for future successful appeals relevant to the accounting period.

Claims for Damages

The Council is in receipt of two claims for asbestos-related illnesses. The potential share of liability that may fall upon the Council has been estimated and a provision made for £150,000 in total to cover that share.

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. 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. A provision of £206,000 was established in 2012/13 pending announcement of a formal Levy Notice later in the year under MMI's Scheme of Arrangement with its creditors. This was subsequently issued by MMI and the provision drawn down in 2013/14. Further details are contained in Note 40, below.

Business Rates

A provision of £61,000, made in 2012/13 for a potential charge falling upon the Council, has been reversed back to the General Fund revenue account in 2013/14.

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 2014 total £34,172,000 (£28,826,000 as at 31 March 2013) and are listed in the table below:

Usable Reserves	**2013/14**	**2012/13**
	£000s	£000s
General Fund Balance	4,753	2,792
HRA Balance	4,113	2,968
Earmarked Reserves (detailed in Note 7):		
General Fund	6,055	5,910
HRA	3,854	3,028
Earmarked Grants Reserves	3,360	943
Capital Grants Unapplied	6,998	6,562
Capital Receipts Reserve	2,622	2,199
Major Repairs Reserve	2,417	4,424
Total Usable Reserves at end of the year (31 March)	**34,172**	**28,826**

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 2014 £000s	Balance as at 31 March 2013 £000s
Revaluation Reserve	182,278	102,032
Capital Adjustment Account	280,977	301,197
Financial Instruments Adjustment Account	(2)	0
Deferred Capital Receipts Reserve	986	1,277
Pensions Reserve	(86,789)	(98,895)
Collection Fund Adjustment Account	(2,496)	(1)
Accumulated Absences Account	(56)	(33)
Total Unusable Reserves	**374,898**	**305,577**

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	2013/14		2012/13	
	£000s	£000s	£000s	£000s
Balance at 1 April		**102,032**		**69,459**
Upward revaluation of assets	82,002		43,708	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(163)		(335)	
		81,839		43,373
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(944)		(326)	
Difference between fair value depreciation and historical cost depreciation	(500)		(10,448)	
Accumulated gains on assets sold or scrapped	(149)		(26)	
Amount written off to the Capital Adjustment Account		(1,593)		(10,800)
Balance as at 31 March		**182,278**		**102,032**

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	2013/14		2012/13	
	£000s	£000s	£000s	£000s
Balance at 1 April		**301,197**		**317,500**
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	(55,002)		(37,984)	
- Revaluation losses on Property, Plant and Equipment	12,450		(1,456)	
- Amortisation of intangible assets	(316)		(365)	
- Revenue expenditure funded from capital under statute	(1,171)		(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	(5,535)		(2,650)	
		(49,574)		(44,108)
Adjusting amounts written out of the Revaluation Reserve		1,593		10,800
Net written out amount of the cost of non-current assets consumed in the year		(47,981)		(33,308)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	2,489		381	
- Use of the Major Repairs Reserve to finance new capital expenditure	18,619		12,117	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,527		3,831	
- Application of grants to capital financing from the Capital Grants Unapplied Account	305		0	
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	485		696	
- Capital expenditure charged against the General Fund and HRA balances	1,101		13	
		27,525		17,038
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		236		(33)
Balance as at 31 March		**280,977**	**0**	**301,197**

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 2012/13, 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 2013/14 for £106,000 (2012/13: £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.

Pensions Reserve	**2013/14**	**2012/13**
	£000s	£000s
Balance at 1 April	**(98,895)**	**(86,463)**
Actuarial gains/(losses) on pensions assets and liabilities	13,297	(12,659)
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	(6,153)	(4,633)
Employer's pensions contributions and direct payments to pensioners payable in the year	4,962	4,860
Balance as at 31 March	**(86,789)**	**(98,895)**

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.

Deferred Capital Receipts Reserve	2013/14 £000s	2012/13 £000s
Balance at 1 April	**1,277**	**948**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	34	329
Transfer to the Capital Receipts Reserve upon receipt of cash	(325)	0
Balance as at 31 March	**986**	**1,277**

e. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business Rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The Business rates element is new in 2013/14 following the introduction of Localised Business Rates on 1/4/13.

Collection Fund Adjustment Account	2013/14 £000s	2012/13 £000s
Balance at 1 April	**(1)**	**(80)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**(2,495)**	**79**
Balance as at 31 March	**(2,496)**	**(1)**

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.

Accumulated Absences Account	2013/14 £000s		2012/13 £000s
Balance at 1 April		**(33)**	**(57)**
Settlement or cancellation of accrual made at the end of the preceding year	33		57
Amounts accrued at the end of the current year	(56)		(33)
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		(23)	24
Balance as at 31 March		**(56)**	**(33)**

g. Financial Instruments Adjustment Account

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

24. OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2013/14 £000s	2012/13 £000s
Interest Received	(107)	(176)
Interest Paid	7,104	7,319
Dividends Received	0	(196)
Net Cash Flows from Operating Activities	**6,997**	**6,947**

25. INVESTING ACTIVITIES

	2013/14 £000s	2012/13 £000s
Purchase of property, plant and equipment, investment property and intangible assets	21,866	16,174
Purchase of short-term and long-term investments	34,001	0
Other payments for investing activities	19	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,725)	(3,954)
Proceeds from short-term and long-term investments	(32,000)	(2,000)
Other receipts from investing activities	(2,215)	(296)
Net Cash Flows from Investing Activities	**14,946**	**9,924**

26. FINANCING ACTIVITIES

	2013/14 £000s	2012/13 £000s
Other receipts from financing activities	4,421	1,618
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	380	355
Repayments / (Payment) of short- and long-term borrowing	14	2,896
Other payments for financing activities	89	71
Net Cash Flows from Financing Activities	**4,904**	**4,940**

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 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.

2013/14	General Fund							HRA	
Portfolio Income and Expenditure	Corporate £000s	Chief Executive £000s	Finance £000s	Community Wellbeing £000s	Regeneration & Enterprise £000s	Housing (GF) £000s	Governance £000s	HRA £000s	Total all Funds £000s
Expenditure									
Employees	0	307	6,506	3,406	1,989	1,045	1,294	5,511	20,058
Premises-Related Expenditure	0	0	39	2,428	2,040	206	1	14,173	18,887
Transport-Related Expenditure	0	0	4	63	14	10	3	11	105
Supplies and Services	0	18	2,185	5,361	18,396	940	198	1,221	28,319
Third Party Payments	0	0	0	74	28	0	0	2	104
Transfer Payments	0	0	39,067	24	0	28	0	0	39,119
Support Services	0	102	2,804	1,106	1,222	401	1,035	4,706	11,376
Capital Financing Costs & Charges	303	0	17	0	23	0	0	24,139	24,482
Transfers to Reserves	2,564	0	0	0	0	0	0	826	3,390
Total expenditure	2,867	427	50,622	12,462	23,712	2,630	2,531	50,589	145,840
Income									
Income from Fees, Sales & Rent	(62)	0	(473)	(2,961)	(4,946)	(297)	(211)	(50,226)	(59,176)
Income - Recharges	0	(428)	(6,684)	(961)	(19,765)	(1,071)	(1,909)	(1,319)	(32,137)
Income - Grants & Contributions	(15,398)	0	(40,604)	(925)	(83)	(434)	(2)	(187)	(57,633)
Total income	(15,460)	(428)	(47,761)	(4,847)	(24,794)	(1,802)	(2,122)	(51,732)	(148,946)
Net Cost of Services	**(12,593)**	**(1)**	**2,861**	**7,615**	**(1,082)**	**828**	**409**	**(1,143)**	**(3,106)**
TOTAL GENERAL FUND							**(1,963)**		

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		(3,106)
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Portfolio Analysis:		
Pension Fund Accounting Adjustment (IAS19)	6,153	
Depreciation & Impairment	30,280	
Amortisation of Intangible Assets	315	
Capital Grants and Contributions receivable	(1,226)	
Revenue Expenditure charged to revenue under statute (REFCUS)	1,171	
Accumulated Absences	23	
Miscellaneous Items	(81)	
Amounts included in the Portfolio Analysis not included in the Comprehensive Income and Expenditure Statement:		
Loan Interest Payments	(7,104)	29,531
Cost of Services in Comprehensive Income and Expenditure Statement		**26,425**

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.

2013/14	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges and other service income	(59,180)		(59,180)
Interest and investment income		(2,088)	(2,088)
Income from council tax and business rates		(8,288)	(8,288)
Government grants and contributions	(57,661)	(9,390)	(67,051)
Pension adjustments	(6,153)	3,779	(2,374)
Total income	(122,994)	(15,987)	(138,981)
Employee expenses	20,058		20,058
Other service expenses	86,534		86,534
Support service recharges	11,376		11,376
Depreciation, amortisation and impairment	30,280		30,280
Other accounting adjustments			0
REFCUS	1,171		1,171
Interest payments		7,104	7,104
Payments to Housing Capital Receipts Pool		3,935	3,935
Gain or Loss on Disposal of Non-current Assets		(1,019)	(1,019)
Total expenditure	149,419	10,020	159,439
Surplus or deficit on the provision of services	26,425	(5,967)	20,458

2012/13 Comparative Figures

2012/13 Comparative figures	General Fund						HRA	
Segments:	Chief Executive	Finance	Community Wellbeing	Regeneration & Enterprise	Housing (GF)	Governance	HRA	Total all Funds
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£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
Payments to Secretary of State	0	0	0	0	0	0	0	0
Support Services	14	63	43	66	23	224	58	492
Capital Financing Costs & 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 and Rent	0	(311)	(2,999)	(4,749)	(240)	(188)	(49,408)	(57,896)
Income - Pension Adjustments	0	0	0	0	0	0	0	0
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 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	General Fund						HRA	
Portfolio Income and Expenditure	Community	Corporate Services	Finance	Governance	Growth & Regeneration	Housing (GF)	HRA	Total all Funds
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	0	(311)	(3,000)	(4,754)	(240)	(164)	(49,420)	(57,892)
Government grants	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)
Employee expenses	306	6,603	3,303	2,050	1,024	1,374	4,794	19,454
Support service recharges	14	63	43	66	23	224	58	492
Other service expenses	15	49,974	7,827	20,611	1,089	275	23,086	102,877
Total expenditure	334	56,641	11,173	22,727	2,136	1,874	27,938	122,823
Net Cost of Services								**14,078**

2012/13 Comparative Figures	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 accounting adjustment	24		24
REFCUS	1,652		1,652
Interest payments	-6850	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

28. ACQUIRED AND DISCONTINUED OPERATIONS

The Council has neither Acquired nor discontinued any material operations during the financial year 2013/14.

29. ACCOUNTING STANDARDS ISSUED NOT ADOPTED

The following disclosure provides information relating to the impact of accounting changes that will be required by new accounting standards that has been issued but not yet adopted.

- The standards issued but not adopted that would affect the presentation of Group Accounts are below, although Harlow Council is not currently required to present any Group accounts.

  - IFRS 10 Consolidated Financial Statements
  - IFRS 11 Joint Arrangements
  - IFRS 12 Disclosure of interests in Other Entities
  - IAS 27 Separate Financial Statements
  - IAS 28 Investments in Associates and Joint Ventures

  Harlow Council has one significant “other entities” interest in Kier Harlow, however, the interest is below 20% of the operating profit or loss and does not qualify as a joint venture or an Associate, and therefore these standards are unlikely to have any impact on the Statement of Accounts. These standards will be effective from 1 April 2014.

Other Standards issued but not adopted are as follows:

- IFRS 32 Financial Instruments: Presentation – This standard will be effective from 1 April 2014 and will require the offsetting of Financial Assets and Financial Liabilities. This will affect the presentation of the detail disclosed.

- Changes resulting from the annual improvements to IFRS 2009-2011 cycle are possible as accounting bodies develop further changes and updates for local councils to adopt; however, these updates are not currently envisaged to change the Accounting Policies for Harlow Council.

30. MEMBERS’ ALLOWANCES

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

	2013/14 £000s	**2012/13** £000s
Allowances	178	179
Expenses	6	6
Total	184	**185**

31. OFFICERS' REMUNERATION

Senior Employees

The remuneration paid to the Council's senior employees in 2013/14, including comparatives for 2012/13, was as follows:

Senior Employees Post Title	Salary (Including fees & Allowances)	Total Remuneration excluding pension contributions 2013/14	Pension contributions	Total Remuneration including pension contributions 2013/14
2013/14	£	£	£	£
Chief Executive	141,279	141,279	17,377	158,656
Chief Operating Officer	105,705	105,705	13,002	118,707
Head Of Finance	80,295	80,295	9,876	90,171
Head Of Community and Wellbeing	76,795	76,795	9,446	86,241
Head Of Housing	76,795	76,795	9,446	86,241
Head of Regeneration	76,795	76,795	9,446	86,241
Head of Governance	55,641	55,641	0	55,641
Project Director (Enterprise Zone Delivery)	34,229	34,229	4,210	38,439
	647,534	647,534	72,803	720,337

Senior Employees - comparatives Post Title	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

No officers received in excess of £150,000.

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

Remuneration bands	Number of Employees 2013/14 Total	2013/14 Left During Year	2012/13 Total	2012/13 Left During Year
£50,000 – £54,999	8	0	7	1
£55,000 – £59,999	2	0	3	2
£60,000 – £64,999	0	0	0	0
£65,000 – £69,999	0	0	0	0
£70,000 – £74,999	0	0	1	0
£75,000 – £79,999	3	1	3	0
£80,000 – £84,999	1	0	1	1
£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	0	0	1	0
£105,000 – £109,999	1	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	0	0
£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 2013/14	[b] 2012/13	[c] Number of Other Departures Agreed 2013/14	[c] 2012/13	[d] Total Number of Exit Packages by Cost Band ([b] + [c]) 2013/14	[d] 2012/13	[e] Total Cost of Exit Packages in Each Band 2013/14	[e] 2012/13
£0 - £20,000	1	3	2		3	3	£14,225	£35,752
£20,001 - £40,000		3	1		1	3	£23,660	£68,999
£40,001 - £60,000		4	1		1	4	£44,952	£188,675
Total	1	10	4	0	5	10	£82,837	£293,426

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 five employees in 2013/14, incurring liabilities of £82,837 (£293,426 in 2012/13) – see Note 31.3 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, Ernst & Young LLP:

	2013/14 £000s	2012/13 £000s
Fees payable for external audit services carried out by the appointed auditor for the year.	102	102
Fees payable/(refunds) for external audit services carried out by the appointed auditor for previous years	(14)	(9)
Fees payable to external audit in relation to current year grant claims.	29	31
Fees payable to external audit in relation to prior year grant claims.	5	61
Total	**122**	**185**

34. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14(see overleaf):

	2013/14 £000s	2012/13 £000s
Grants Credited to Taxation and Non-specific Grant Income		
National Non-Domestic Rates	2,154	5,510
Revenue Support Grant	3,195	110
Local Council Tax Support Scheme	1,282	0
Council Tax Freeze Grant	180	361
Community Rights to Challenge New Burdens Grant	16	0
New Homes Bonus Grant	549	442
ECC Second Homes Discount Grant	8	14
Other Income	185	0
Capital Grants	3,974	2,355
Total	**11,543**	**8,792**

	2013/14 £000s	2012/13 £000s
Grants Credited to Services		
Rent Allowances	16,613	16,227
Rent Rebates	23,077	23,054
Council Tax Benefits	(6)	8,808
Housing Benefit Administration	713	777
Council Tax & NNDR Recovery	0	84
Hardship Administration	5	0
Community Rights to Challenge	0	13
Business Rates	124	127
Local Housing Allowance	0	2
Homelessness	169	171
Future Jobs Fund	10	0
Collection Investment	50	0
Food waste collection	76	0
Growth Area Funding / Programme of Development	32	51
Town Centre Partnership	0	10
Skills Funding agency	0	100
Benefit Fraud	0	28
Council Tax Benefits Localisation	3	0
West Essex Partnership	0	73
Total	**40,866**	**49,525**

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 (overleaf):

Long-term Liabilities:

	2013/14 £000s	2012/13 £000s
Grants Receipts in Advance (Capital Grants)		
English Partnership Pitch Regeneration	0	312
DCLG Food Waste	0	254
EU Inspire	7	0
Programme of Development - external partners	1,194	2,176
Total	**1,201**	**2,742**

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 2014 are shown in Note 34.

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 2013/14 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 2013/14 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 2014 £000s	Creditors Outstanding as at 31 Mar 2014 £000s
Essex County Council	(1,913)	788	518	(358)
Essex Police Authority			(3)	(5)
Harlow College		1		
Harlow Occupational Health Service		19		(3)
Harlow Sports Trust (Incl Leisurezone)	(60)	340	14	(15)
Kier Harlow	(163)	23,857	191	(25)
Streets 2 Homes		2		
Veolia Board		3,233	28	(272)
Harlow Council Regeneration Ltd		1		
	(2,136)	28,241	748	(678)

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 movement in CFR is analysed in the second part of this note.

	2013/14 £000s	2012/13 £000s
Opening Capital Financing Requirement	**226,683**	**227,243**
Capital Investment		
Property Plant and Equipment	25,606	14,423
Heritage Assets	2	0
Investment Properties	102	33
Intangible Assets	424	368
Revenue Expenditure funded from Capital under Statute	1,260	1,653
Total Capital Investment	27,394	16,477
Sources of Finance		
Capital Receipts	(2,489)	(381)
Major Repairs Reserve	(18,619)	(12,117)
Government Grants and Other Contributions	(5,156)	(3,831)
Direct Revenue Contributions	(1,101)	(13)
MRP/ Loans Fund Principal	(485)	(695)
Total Sources of Finance	(27,850)	(17,037)
Closing Capital Financing Requirement	**226,227**	**226,683**
Explanation of Movements in Year		
Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	(77)	(206)
Assets acquired under finance leases	(379)	(354)
Increase/(decrease) in Capital Financing Requirement	**(456)**	**(560)**

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 2014 £000s	31 March 2013 £000s
Other Land and Buildings	92	94
Vehicles, Plant, Furniture and Equipment	1,073	1,430
	1,165	**1,524**

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 2014 £000s	31 March 2013 £000s
Finance lease liabilities (net present value of minimum lease payments):		
- current	405	379
- non-current	626	1,031
Finance costs payable in future years	309	403
Minimum Lease Payments	**1,340**	**1,813**

The minimum lease payments are payable over the following periods:

	Minimum Lease Payments		Finance Lease Payments	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
Not later than one year	474	474	405	379
Later than one year and not later than five years	606	1,074	543	947
Later than five years	260	265	84	84
	1,340	**1,813**	**1,032**	**1,410**

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 2014 £000s	31 March 2013 £000s
Not later than one year	45	74
Later than one year and not later than five years	98	121
Later than five years	0	0
	143	**195**

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 2014 £000s	31 March 2013 £000s
Not later than one year	51	71
Later than one year and not later than five years	200	201
Later than five years	21	71
	272	**343**

The above relates to property leased in on operational leases.

The expenditure charged to the relevant lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2014 £000s	31 March 2013 £000s
Minimum lease payments	108	103
Contingent rents	0	0
Sublease payments receivable	0	0
	108	**103**

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 77 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 2014	31 March 2013
	£000s	£000s
Finance lease debtor (net present value of minimum lease payments):		
- current	0	0
- non-current	306	307
Unearned finance income	0	0
Unguaranteed residual value of property	0	0
Gross investment in the lease	**306**	**307**

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 2014	31 March 2013	31 March 2014	31 March 2013
	£000s	£000s	£000s	£000s
Not later than one year	0	0	0	0
Later than one year and not later than five years	2	2	2	2
Later than five years	304	305	304	305
	306	**307**	**306**	**307**

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 (2012/13 £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 2013/14 £0 contingent rents were receivable by the Council (2012/13 £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 2014 £000s	31 March 2013 £000s
Not later than one year	779	929
Later than one year and not later than five years	2,383	3,105
Later than five years	4,243	4,892
	7,405	**8,926**

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 2013/14.

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 (for those benefits) 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.

- The Essex County Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Essex County Council. Policy is determined in accordance with the Pensions Fund Regulations.

- The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance3 of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by the statute as described in the accountancy policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

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		
		Restated	
	2013/14	2012/13	2012/13
	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement			
Cost of Services:			
• Current Service Cost	2,329	2,003	1,853
• Past Service Cost including Curtailments	45		
• Past Service Cost			
• Settlements and Curtailments		26	150
• Administration expenses	18		
Financing and Investment Income and Expenditure:			
• Interest Cost	3,761	3,870	8,474
• Expected Return on Scheme Assets			(5,844)
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	6,153	5,899	4,633
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement: Remeasurement of the net benefit liability comprising:			
Return on Plan Assets (excluding amount included in the net interest expense)	4,922	7,886	
Other actuarial gains /(losses) on assets	(2,759)	1,767	6,620
Changes in financial assumptions	7,141	(18,250)	(18,250)
Actuarial gains/(losses) arising on the change of demographic assumptions	10,268		
Experience loss/(gains) on defined benefit obligation	(6,275)	(2,796)	(1,029)
Total Post-employment Benefit gains/(losses) Charged to the Comprehensive Income and Expenditure Statement	**13,297**	**(11,393)**	**(12,659)**
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	6,153	5,899	4,633
Actual amount charged against the General Fund Balance for pensions in the year:			
• Employers' contributions payable to scheme	4,962	4,860	4,860

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 2014 was a gain of £13,297,000 (as at 31 March 2013 it was a loss of £12,659,000).

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Funded Liabilities: Local Government Pension Scheme		
		Restated	
	2013/14	2012/13	2011/12
	£000s	£000s	£000s
Present Value of Funded Obligation	193,941	200,661	176,222
Fair Value of Scheme assets (bid value)	117,845	113,416	101,079
Net Liability	76,096	87,245	75,143
Present Value of Unfunded Obligation	10,693	11,650	11,320
Unrecognised Past Service Cost	0	0	0
Impact of asset ceiling	0	0	0
Net Liability in Balance Sheet	**86,789**	**98,895**	**86,463**

The funded liabilities have decreased by £6.7m, while assets have increased by £4.4m to a net decrease in funded liabilities of £11.1m.

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

	Local Government Pension Scheme		
		Restated	
	2013/14	2012/13	2012/13
	£000s	£000s	£000s
Opening balance at 1 April	**113,416**	**101,079**	**101,079**
Expected return on scheme assets	0	0	5,844
Interest income	4,383	4,604	0
Return on plan assets interest	4,922	7,886	0
Other actuarial gains/(losses)	(2,759)	1,767	0
Total actuarial gains/(losses)	0	0	8,387
Administration expenses	(18)	(26)	0
Employers contributions	4,962	4,860	4,860
Contributions from employees into the scheme	605	578	578
Benefits paid	(7,666)	(7,258)	(7,258)
Settlements	0	(74)	(74)
Closing balance at 31 March	**117,845**	**113,416**	**113,416**

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

	Local Government Pension Scheme			
	2013/14		2012/13	
		£000s		£000s
Members Assumption. Proportion of Assets Held:				
Equities	67.0%	78,955	64.0%	72,586
Gilts	8.0%	9,428	7.0%	7,939
Other Bonds	8.0%	9,428	8.0%	9,073
Property	11.0%	12,963	12.0%	13,610
Cash/ Liquidity	2.0%	2,357	4.0%	4,537
Alternative Assets	4.0%	4,714	5.0%	5,671
Total	100.0%	117,845	100.0%	113,416

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.

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

	Funded Liabilities: Local Government Pension Scheme		
		Restated	
	2013/14	2012/13	2012/13
	£000s	£000s	£000s
Opening balance at 1 April	**212,311**	**187,542**	**187,542**
Current service cost	2,329	1,853	1,853
Interest cost	8,144	8,474	8,474
Contribution by Scheme Participants	605	578	578
Remeasurement (gains)/losses	0	(86)	(86)
Actuarial gains and losses from demographic	(10,268)	0	0
Actuarial gains from changes in financial assumptions	(7,141)	18,250	0
Experience loss/(gain) on defined benefit obligation	6,275	2,796	0
Total actuarial losses/(gains)	0	0	21,046
Losses/(gains) on curtailments	0	0	162
Benefits Paid	(6,897)	(6,486)	(6,486)
Past Service Cost including curtailments	45	162	0
Unfunded pension payments	(769)	(772)	(772)
Curtailments	0	0	0
Closing balance at 31 March	**204,634**	**212,311**	**212,311**

	2009/10	2010/11	2011/12	2012/13	2013/14
	£000s	£000s	£000s	£000s	£000s
Present Value of Defined Benefit					
Local Government Pension Scheme	173,123	156,771	176,222	200,661	193,941
Discretionary Benefits	11,833	10,280	11,320	11,650	10,693
Fair value of assets in the Local Government Pension Scheme	(99,295)	(100,307)	(101,079)	(113,416)	(117,845)
	85,661	66,744	86,463	98,895	86,789
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(73,778)	(56,464)	(75,143)	(87,245)	(76,096)
Discretionary Benefits	(11,883)	(10,280)	(11,320)	(11,650)	(10,693)
Total	**(85,661)**	**(66,744)**	**(86,463)**	**(98,895)**	**(86,789)**

Scheme History

The scheme deficit has fluctuated over the five year period and now rests at £86.8million.

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 £204,634,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £86,789,000. 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 2015 is £4,216,000. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2015 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 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2013/14	**2012/13**
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
- Men	22.7	22.7
- Women	25.1	25.3
Longevity at 65 for future pensioners (years):		
- Men	24.9	24.2
- Women	27.4	26.9
Rates of Inflation:		
RPI	3.5%	3.2%
CPI	2.7%	2.4%
Rate of increase in salaries	4.5%	4.2%
Rate of increase in pensions	2.7%	2.4%
Rate for discounting scheme liabilities	4.4%	3.9%
Take-up of option to convert annual pension into retirement lump sum	60.0%	50.0%

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

	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	201,348	204,634	207,977
Projected Service Cost	2,001	2,045	2,090
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	204,833	204,634	204,436
Projected Service Cost	2,045	2,045	2,045
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	207,831	204,634	201,489
Projected Service Cost	2,091	2,045	2,000
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	197,418	204,634	211,915
Projected Service Cost	1,975	2,045	2,115

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 2014 was £2,477,000 (£2,106,000 at 31 March 2013). 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. A levy notice was issued on 1 January 2014 by the MMI Scheme Administrator exercising a 15% clawback of historical claim settlements. Working in conjunction with its Insurance Actuary, the Council has been maintaining earmarked reserves as a means of financing potential liabilities associated with MMI. As at 31 March 2014 the combined balance of these reserves was £922,000 after financing a new provision to cover the clawback (as at 31 March 2013 the combined balance of the reserves was £974,000). Annual contributions continue to be added to the reserves in order to cover potential future liabilities arising from the MMI Scheme of Arrangement. Now that the Scheme of Arrangement has been triggered, further costs are transferred to MMI's creditors (at an amount equal to 15% of future claims settled); 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 2014, MMI indicates that claims which could potentially be required to be returned to MMI from Harlow District Council could amount to a maximum of £1,231,000 (net of the 15% clawback issued in January 2014). The recommendation of the Council's Actuary is that the Council continues to build its provision for clawback towards a level that covers 90% of historical claims (prior to the first clawback in 2014). 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 under appeal, 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 in relation to the appeal.

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 2014, the Council had recorded no contingent assets.

42. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Overall procedures for managing risk

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with the CIPFA Prudential Code for Capital Finance in Local Authorities (both of which were revised in November 2011).

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

Actual performance is also reported after each year, as is a mid-year update of the TMSS.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the DCLG Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The annual TMSS (covering 2013/14), which incorporates the prudential indicators, was approved by Council on 7 February 2013 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 2013/14 set this limit at £255million.
- The Operational Boundary - this is the expected level of debt and other long-term liabilities during the year. The TMSS established this boundary at £243 million for 2013/14.

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

Credit risk	the possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss for the other party;
Liquidity risk	the possibility that the Council might not have funds available to make contracted payments on time;
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.

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 & Poor’s 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 2013/14, which was approved by Full Council on 7 February 2013, 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 utilises 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,
- equity price movements,
- 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 2014 that this was likely to arise.

The Council does not generally allow credit for its customers. As at 31 March 2014, £12.364 million of total council short-term debtors is overdue for payment, as analysed in the table below.

	31 March 2014	31 March 2013
	£000s	£000s
Less than three months	1,613	1,715
Three to five months	354	259
More than 5 months	10,397	9,459
Total	**12,364**	**11,433**

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 2014 £000s	31 March 2013 £000s
Less than 1 year	0	0
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**	**211,837**

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 2014, accrued interest of £81,000 is shown on the Balance Sheet as short-term borrowing (as at 31 March 2013, short-term borrowing also comprised accrued interest of £81,000).

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 addresses the operational risks within the approved parameters. During 2013/14, 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 table, overleaf), with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Full Council in the Treasury Management Strategy at its meeting of 7 February 2013):

Maturity Structure for External Borrowing during 2013/14	Approved Minimum Limits	Approved Maximum Limits	31 March 2014	31 March 2013
			£000s	£000s
Less than 1 year	0%	35%	0	0
1 to 2 years	0%	50%	0	0
2 to 5 years	0%	75%	0	0
5 to 10 years	0%	100%	0	0
More than 10 years	0%	100%	211,837	211,837
Total			**211,837**	**211,837**

Market Risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2014, £199.8m of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates and £16.5m (net investments) to variable rates.

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

Impact of 1% Change in Interest Rates	£000s
Increase in interest payable on variable rate borrowings	
Increase in interest receivable on variable rate investments	(173)
Decrease in fair value of loans and receivables *	174
Decrease in fair value of fixed rate borrowings/ liabilities *	(28,068)

* No impact on Comprehensive Income and Expenditure.

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

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

Other Long-Term Liabilities	**Balance as at 31 March 2014**	**Balance as at 31 March 2013**
	£000s	£000s
Pension Scheme - Long-term Liabilities	86,789	98,896
Long-term Finance Lease Obligations	626	1,031
Other Long-Term Liabilities	0	14
Total Other Long-Term Liabilities	**87,415**	**99,941**

44. LONG TERM DEBTORS

Long-term Debtors	**2013/14**	**2012/13**
	£000s	£000s
Service Charge Loans	84	122
Service Charge Debtor	64	38
Renovation Grants	302	316
Housing Act Advances Mortgages	10	11
Soft Loans	19	
Total	**479**	**487**

SUPPLEMENTARY FINANCIAL STATEMENTS

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HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

	Note	2013/14 £000s	2012/13 £000s
Expenditure			
Repairs and Maintenance		(9,530)	(9,337)
Supervision and Management		(12,735)	(14,434)
Rents, Rates, Taxes and Other Charges		(16)	20
Depreciation and Impairments of Non-Current Assets	H7 & H10	(40,022)	(35,664)
Amortisation of Intangible Assets		(171)	(224)
Debt Management Costs		(12)	(9)
Movement in the Allowance for Bad Debts (not specified by the Code)		(283)	(308)
Sums directed by the Secretary of State that are expenditure in accordance with the Code		(9)	(10)
Total Expenditure		**(62,778)**	**(59,967)**
Income			
Dwelling Rents		44,812	42,501
Non-Dwelling Rents		2,519	2,458
Charges for Services and Facilities		3,814	3,935
Contributions towards Expenditure		136	102
Total Income		**51,281**	**48,996**
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		**(11,497)**	**(10,971)**
HRA Services' share of Corporate and Democratic Core		(644)	(337)
HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		0	0
Net Cost for HRA Services		**(12,141)**	**(11,308)**
HRA share of the operating income and expenditure			
Gain or (loss) on sale of HRA non-current assets		495	798
Interest payable and similar charges		(6,809)	(6,802)
Interest and investment income		62	35
Pensions interest cost and expected return on pensions		0	0
Capital grants and contributions receivable		3,348	300
Surplus or (deficit) for the year on HRA services		**(15,045)**	**(16,976)**

HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014

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

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

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

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

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

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

	Note	2013/14 £000s	2012/13 £000s
Balance on the HRA at 1 April		**2,968**	**3,350**
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(15,045)	(16,976)
Adjustments between accounting basis and funding basis under statute	H1	17,016	16,568
Net increase or (decrease) before transfers to or from reserves		1,971	(408)
Transfers (to) or from reserves	H2	(826)	27
Increase or (decrease) in year on the HRA		1,145	(381)
Balance on the HRA as at 31 March		**4,113**	**2,968**

H1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

	Notes	2013/14 £000s	2012/13 £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		171	224
Impairment of Fixed Assets		12,192	7,998
(Gain)/ Loss on sale of HRA Fixed Assets		(495)	(798)
Transfer to/ (from) Major Repairs Reserve		11,168	11,124
Investment Properties		(17)	0
Financial Instruments		(30)	0
Employer's contribution payable to the ECC Pension Fund and retirement benefits payable direct to pensioners		(1,617)	(1,674)
Deferred Grants written down		(3,268)	(300)
Accumulated Absences		11	(6)
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		(1,100)	0
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year		**17,015**	**16,568**

H2. TRANSFERS TO / (FROM) RESERVES

	Notes	2013/14 £000s	2012/13 £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		424	391
Contribution to Perpetuity Earmarked Reserves		997	180
Interest on Earmarked Reserves		13	-
Contribution from Insurance Fund		(250)	(80)
Contribution from Perpetuity Earmarked Reserves		(358)	(518)
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year		**826**	**(27)**

H3. ANALYSIS OF THE HOUSING STOCK

	2013/14	2012/13
Analysis by Type of Dwelling		
Houses & Bungalows	6,019	6,082
Flats & Maisonettes	3,689	3,697
Other	7	7
Total Dwellings	**9,715**	**9,786**
Analysis by Number of Bedrooms		
Bedsitters	414	416
1 bedroom	2,091	2,090
2 bedrooms	3,693	3,721
3 bedrooms	3,137	3,173
4 bedrooms	344	351
5 bedrooms	29	28
Hostels	7	7
Total Dwellings	**9,715**	**9,786**
The change in stock can be summarised as follows:		
Stock at start of year (1 April)	9,786	9,824
Deduct Sales, Demolitions, etc	(87)	(38)
Add Repurchases, Refurbishments, Additions	16	0
Stock at end of year (31 March)	**9,715**	**9,786**

H4. BALANCE SHEET VALUES FOR THE HOUSING STOCK

	as at 31 March 2014 £000s	Restated as at 31 March 2013 £000s
Council Dwellings:		
Land	187,974	176,637
Dwellings	375,949	332,326
Sub-Total	563,923	508,963
Other land and buildings	47,513	41,563
Vehicles, plant, furniture and equipment	-	7
Infrastructure and community assets	87	89
Assets under construction	-	-
Surplus assets not held for sale	1,608	2,222
Investment properties	807	791
Assets held for sale	1,561	1,847
Total HRA Balance Sheet Values	**615,499**	**555,482**

H5. VACANT POSSESSION

The vacant possession values of the Council’s Housing stock as at 1 April 2013 amounted to £1,444,194,273 which included a valuation of £47,683,500 for garages, car ports and car spaces. The remaining sum of £1,396,510,773 is attributable to council dwellings, which is subject to a social housing factor of 39% (a reduction of 61%) giving a specific valuation of £544,639,201. The net valuation of housing stock is therefore £592,322,701.

	as at 1 April 2013 £000s	as at 1 April 2012 £000s
Vacant possession value of dwellings	**1,444,194**	**1,421,734**

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 £358,832 in 2013/14. This expenditure is included in the Council's capital programme summaries to show the use of capital resources but the spending and capital resources are reflected in the Council's revenue accounts.

H7. IMPAIRMENT CHARGES

Impairment	**2013/14** £000s	**2012/13** £000s
Land	0	0
Dwellings	12,412	8,222
Other Property	0	0
Total	**12,412**	**8,222**
Operational Assets	12,412	8,222
Non-Operational Assets	0	0
Total	**12,412**	**8,222**

H8. CAPITAL EXPENDITURE AND ITS FINANCING

	2013/14 £000s	**2012/13** £000s
HRA Capital Expenditure:		
Dwelling Stock	24,681	11,861
Non-Dwelling works	72	406
Investment in Information Technology	93	146
	24,846	**12,413**
Financed By:		
Supported Borrowing	0	0
Grant Contributions	3,023	296
Usable Capital Receipts	2,104	0
Revenue Contributions	1,100	0
Major Repairs Reserve	18,619	12,117
	24,846	**12,413**

H9. CAPITAL RECEIPTS

Summary of HRA Capital Receipts	2013/14	2012/13
	£000s	£000s
Sale of Council Houses - Direct	6,186	2,867
Sale of Council Houses - Deferred	0	0
Other (including shared ownership)	51	225
	6,237	**3,092**

The number of sales of Council houses increased in 2013/14 in response to the Government's Invigoration of Right to Buy Policy. 86 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.

H10. CHARGES FOR DEPRECIATION

Depreciation	2013/14	2012/13
	£000s	£000s
Council Dwellings	21,387	21,122
Other Land and Buildings	6,135	6,222
Vehicles, Plant, Furniture and Equipment	7	8
Infrastructure and Community Assets	2	2
Surplus assets not held for sale	78	88
Total	**27,609**	**27,442**
Operational Assets	21,387	21,122
Non-Operational Assets	6,222	6,320
Total	**27,609**	**27,442**

H11. MOVEMENT ON THE MAJOR REPAIRS RESERVE

Major Repairs Reserve	2013/14 £000s	2012/13 £000s
Balance as at 1 April	4,424	**0**
Transfers in - depreciation	27,780	27,666
Transfers out to the HRA	(11,168)	(11,124)
Capital Spending on Housing Stock met by the Reserve	(18,619)	(12,118)
Balance as at 31 March	**2,417**	**4,424**

H12. 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 accounts) 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 £447,000 (2012/13: £354,000) reverses out all the debits made for post-employment benefits applying the principles of IAS 19 and replaces them with the pensions chargeable for the year in accordance with statutory provisions – employers contributions paid to the pension scheme of £210,000 (2012/13: £201,000) relating to current employees providing HRA services, plus the continuing pension payments in relation to underfunding and early retirements awarded to HRA employees of £1,853,000 (2012/13: £1,827,000) making a total replaced statutory charge of £2,064,000 (2012/13: £2,027,000). The credit entry is to the Pensions Fund Reserve.

H13. RENT ARREARS

Outstanding rent arrears at 31 March 2014 total £3,053,000 plus £165,000 overpaid housing benefit (£2,870,000 and £193,000 at March 2013). A provision for non-collectable debts has been made as at 31 March 2014 totalling £2,698,000 (£2,475,000 at March 2013).

The arrears exclude prepayments of £661,000 and may be analysed as follows:

Rent Arrears	As at 31 March 2014 £000s	As at 31 March 2013 £000s
Due from Current Tenants	1,526	1,436
Due from Former Tenants	1,527	1,434
Arrears (gross)	3,053	2,870
	0	0
Prepayments	(661)	(548)
Net Arrears	**2,392**	**2,322**

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.

H14. OTHER STATUTORY DISCLOSURES

The Capital Asset Charges Accounting Adjustment is no longer relevant following the commencement of HRA self-financing.

HRA Subsidy was abolished on 1 April 2012 when HRA self-financing was introduced.

COLLECTION FUND

The Collection Fund is a separate statutory fund operating under the provision of the Local Government Act 1988. Changes to the Business Rates system, taking effect from 2013/14, now mean surpluses or deficits arising on the Collection Fund include variations in levels of Business Rates collection. Any such balance relating to Business Rates is distributed to/ borne by the District Council, County Council, Central Government and Fire Authority in proportion to the agreed split under regulations. The Fund's assets and liabilities are included in the Balance Sheet and its income and expenditure is shown below:

Collection Fund (FINAL STATEMENT)

	2013/14			2012/13
	Business Rates £'000	Council Tax £'000	TOTAL £'000	£'000
Income due:				
Council Tax				
Council Tax-payers	n/a	37,859	37,859	35,803
In respect of Council Tax Benefits	n/a	n/a	0	8,770
Business Rates	43,728	n/a	43,728	43,055
	43,728	**37,859**	**81,588**	**87,628**
Expenditure:				
Contributions Prior year Deficit/(Surplus):				
- Harlow District Council	0	3	3	(93)
- Essex County Council	0	12	12	(373)
- Essex Police Authority	0	2	2	(45)
- Essex Fire Authority	0	1	1	(22)
- Department for Communities & Local Government	0	0	0	0
	0	18	18	(533)
Precepts, Demands and Shares				
- Harlow District Council	17,911	5,971	23,882	7,217
- Essex County Council	4,030	25,415	29,445	31,178
- Essex Police Authority	n/a	3,309	3,309	3,922
- Essex Fire Authority	448	1,553	2,001	1,906
- Department for Communities & Local Government	22,389	0	22,389	42,928
	44,778	36,248	81,025	87,151
Charges to the Collection Fund				
Chanings in Provision for Bad and Doubtful Debts	791	616	1,406	403
Changes in Provision for Appeals	4,318	n/a	4,318	
Cost of Collection	124	n/a	124	127
Transitional Payment Protection due to DCLG	358	n/a	358	
	5,591	616	6,207	530
Total Expenditure	**50,369**	**36,881**	**87,250**	**87,148**
(Surplus)/Deficit for year	**6,640**	**(978)**	**5,662**	**(480)**
Balance brought forward (surplus)/deficit	**0**	**(22)**	**(22)**	**457**
Balance carried forward 31 March 2014 (surplus)/deficit	**6,640**	**(1,000)**	**5,640**	**(22)**

(n/a = not applicable)

CF1. Non-Domestic Rates

The total Non Domestic Rateable Value as at 31 March 2014 was £112,444,723 (£111,792,945 at 31 March 2013). The multiplier for 2013/14 was set at 46.2p (45.0 pence for 2012/13). The product of this is £51,949,462 for 2013/14 (£50,306,825 for 2012/13). 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.

2013/14 Council Tax was set at £255.33 for a band D property (£251.55 for 2012/13).

The Council Tax base was calculated as follows:

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)	2,176	1,781.70	6/9	1,187.80
B	7,477	6,369.60	7/9	4,954.10
C	18,357	16,823.00	8/9	14,953.80
D	4,081	3,805.05	9/9	3,805.10
E	2,077	1,979.80	11/9	2,419.80
F	853	818.15	13/9	1,181.80
G	379	364.25	15/9	607.10
H	11	10.50	18/9	21.00
	35,414	31,954.55		29,131.90

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	(233.06)
Total Council Tax Base	**28,898.84**

CF3. DISTRIBUTION OF SURPLUS/DEFICIT

Distribution of Surplus/(Deficit)	Council Tax		Business Rates	
	2013/14	2012/13	2013/14	2012/13
	£000s	£000s	£000s	£000s
Harlow Council	(165)	4	2,656	-
Essex County Council	(701)	16	598	-
Essex Police & Crime Commissioner	(91)	2	-	-
Essex Fire Authority	(43)	1	66	-
Department Communities & Local Government	-	-	3,320	-
	(1,000)	23	6,640	-

After 2012/13, following the changes to the Business Rates system, surpluses or deficits arising on the Collection Fund are now separated between Council Tax and Business Rates collection. Thus, in the table above, no transactions are recorded for Business Rates in the 2012/13 comparatives.

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GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS AND ABBREVIATIONS

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

Accounting Period

The period of time covered by the Council's accounts, normally a period of 12 months commencing on 1 April. The period may also be referred to as the "financial year of account" or "financial year". The end of the accounting period (31 March) 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.

Business Rates

Business Rates (the commonly used term now used for National Non-Domestic Rates, or NNDR) are charged on most non-domestic premises, including most commercial properties such as shops, offices, pubs, warehouses and factories. The Council uses the rateable value provided by the Valuation Office Agency to calculate how much businesses should pay. From 1st April 2013 a new scheme of Business Rates Retention was introduced by the government. The sums collected by the Council are distributed to central government (50%) and to local authorities for the area (distributed as Harlow Council 40%, Essex County Council 9% and Essex Fire Authority 1%).

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.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. For a local authorities, which do not issue equity instruments, financial instruments may include bank deposits, cash, investments, debtors (or receivables), long-term debtors, creditors, temporary loans and borrowings.

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.

Infrastructure Assets

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

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.

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.

Loans and Receivables
These are referred to collectively within the disclosure note relating to financial instruments. In this context, the term "loans" refers to sums invested by the Council that are not quoted in an active market; the term "receivables" refers to short-term trade debtors (that is, amounts due to the Council).

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 a prudent level of MRP for the General Fund.

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
A pension scheme for employees, maintained by an administering authority, or a group of authorities, under statute primarily in order to make pension payments on retirement of scheme

participants. It is financed from contributions from both the employing authorities and the employees together with income from investments.

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.

Receivables (see Loans and Receivables, above)

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.

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INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

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

We have audited the financial statements of Harlow District Council for the year ended 31 March 2014 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 and the related notes 1 to 44, the Housing Revenue Account Income and Expenditure Statement and related notes H1 to H14, the Movement on the Housing Revenue Account Statement and Collection Fund and related notes CF1 to CF3. 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 2013/14.

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 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 2013/14, 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 explanatory forward and the Statement of Accounts 2013/14 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 2013/14.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2013/14 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 (updated as at December 2012);
- 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 October 2013, 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 2014.

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 October 2013, 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 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

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

18 September 2014

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ANNUAL GOVERNANCE STATEMENT

Harlow Council
Annual Governance Statement 2013/14

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

1.3. The Council has 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 2014 and up to the date of the statement of Accounts (30 June 2014).

3. The Governance Framework

3.1. The Council's Governance Framework has been set up over successive years and is reviewed annually to ensure its continuing effectiveness having regard to the six CIPFA/SOLACE principles of effective governance which are:

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

3.2. A brief description of the key elements of Governance Framework in place at Harlow Council is included as appendix one. The annual review of the effectiveness of this framework is covered in the next section.

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. 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, the Legal Services Manager and other officers when they have specific contributions to make. In carrying out the review, we have kept in mind the six CIPFA/SOLACE principles of effective governance. The Group has considered the following evidence:

a) Service Assurance Statements – each Head of Service as well as the Chief Executive and Chief Operating Officer have completed a self-assessment covering the effectiveness of Governance arrangements in their area. The self-assessments, which have been reviewed by Internal Audit, have been used to identify areas for improvement both at a service level and, where more than one service has identified an area for improvement, corporate actions have been added to the improvement plan covered in the next section.

b) The Internal Audit Manager's annual opinion on the Council's control framework, delivered to the Audit & Standards Committee, as the body charged with governance.

c) 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 his opinion, for the 12 months ended 31 March 2014 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 ;

d) External audit reports during and on the 2013/14 year. Where these exist, we have also used reports from other agencies and inspectorates.

e) Review of internal audit effectiveness.

4.3. 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.

4.4. The Governance Group has undertaken an assessment of the arrangements for governance during 2013/14 and has concluded that arrangements are fit for purpose. As a result of this work, a number of Governance issues have been identified and in order to further strengthen arrangements, an action plan to address these issues is set out below.

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 2014/15
1.	**Budget pressures** and the impact of the economic downturn and continuing Government Funding reductions. While this is mainly outside Council control, there is a risk of loss of services, particularly those deemed to be discretionary.	Those elements that are predictable have been built into the MTFS, along with a robust process to manage budgets within each year. A Discretionary Services Fund has been set up with a view to transferring service to other organisations at a reduced level or with complete withdrawal of Council funding.	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 balance on both General Fund and HRA have been increased.
2.	**Procurement and Contract Monitoring** – the Council has significant areas of expenditure for which service provision is outsourced to private contractors and other third parties. During a time of reducing budgets, it is important that these contracts are monitored to secure quality of service and Value for Money.	Regular Joint Operations meetings and Joint Performance Review Meetings continue to take place with Kier. A regular contract meeting takes place with Veolia.	A full contract management audit review will be undertaken as part of the 2014/15 internal audit plan.
3.	**Corporate Approach to Service Planning and Risk Management** and other key elements of Corporate Governance.	Although Service Assurance Statements reveal a significantly improved position regarding the service planning and risk management activities being embedded across all services, there are still some qualified judgements in respect of the effectiveness of service planning and risk management in some areas.	The Policy and Performance team will continue to provide dedicated support to all teams to ensure that service and team plans are completed in early 2014/15. An ongoing training programme will cover these issues in the future.

No.	Key improvement area	Update on position	Carry forward for 2014/15
4.	**Accounting systems upgrade –** an upgrade of the Council's financial system should result in improvements in financial and internal control as well as improved ways of working and will meet requirements of the Local Government Transparency Code 2014.	A project plan for the upgrade of the Council's financial system, Agresso, has been developed.	The upgrade is planned to go live in 2014/15. The work will take account of the requirements arising out of the Local Government Transparency Code 2014.
5.	**Government reforms to the welfare system and business rates** continue to be implemented having both immediate and far reaching consequences which the Council has to manage.	The initial consequences of localised business rates will be known following completion of the final accounts. Further welfare changes including the benefits cap and universal credit will take effect during 2014/15. As the Council responds to these government reforms, the changes are reported at the appropriate stage to Cabinet.	The Council will continue to manage the volatility to its income base as a consequence of business rates changes as well as model future impacts. It will also need to manage the impact of Welfare Benefits changes on Harlow residents.
6.	**Induction of new Councillors** following May 2014 elections.	A programme of induction days will take place during 2014/15.	An Induction Day for new Members took place on 5 June 2014. An Officer Mentor has been allocated to all new Members.
7.	**Partnerships –** two new partnerships, Harlow Wellbeing Partnership and Harlow Fairness and Equality Partnership, have been constituted to take forward Harlow's Vision.	Although the partnerships' remits have been defined, they have yet to meet. This is planned for after the election in May 2014.	The Governance Group will undertake a review of the effectiveness of these partnerships in taking forward Harlow's Vision during the year. This will be assisted by an Internal Audit review.
8.	**Service Assurance Statements –** whilst assurance statements underline a positive direction of travel with respect to Governance, there are still areas where only qualified assurance was provided.	Qualified assurance provided in the following areas: • Responding to internal audit reports • Risk Management • Service Planning • Staff Appraisals Although substantial improvements have been made through the year, the Council will target continued improvement within the existing resources available.	Internal Audit to focus on outstanding recommendations in 2014/15 and work more closely with departments on effective implementation plans. Internal Audit to undertake a review of service plans and PPP completion incorporating risk management during the year so that Governance Group can assess progress in this area.

5.2. The Corporate Governance Group will oversee this action plan over the coming year and report on progress to the Audit Committee. All actions are assigned to a named officer as part of their 2014-15 work plans. Furthermore, the Corporate Governance Group will issue an updated Code of Corporate Governance with action plan to ensure that governance issues are promoted, addressed and monitored in a co-ordinated manner throughout the next financial year.

We, the undersigned, are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. The Council's Governance Group will monitor their implementation and operation throughout the year and report progress as part of our next annual review.

Signed: Date: 11 September 2014

(Leader of the Council)

Signed: Date: 11 September 2014

(Chief Executive)

PURPOSE AND OUTCOMES	FUNCTIONS AND ROLES	CONDUCT AND BEHAVIOUR	SCRUTINY AND MANAGING RISK	CAPACITY AND CAPABILITY	ACCOUNTABILITY
Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.	Councillors and Officers work together to achieve a common purpose with clearly defined functions and roles.	Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.	Developing the capacity and capability of Councillors and Officers to be effective.	Engaging with local people and other stakeholders to ensure robust public accountability.
Annual Governance Statement 2013/14					
• A new corporate plan covering 2013/14 to 2015/16 has been approved. • Two key strategic partnerships have been agreed to take forward Harlow's Vision, the Harlow Well Being Partnership and Harlow Fairness and Equality Partnership. • Key strategic partnerships with Kier, Veolia and Westerleigh to deliver service and efficiency gains. • New statement of Council's governance expectations for partnering and contracting.	• The Constitution which sets out decision making framework, gives clear definitions of roles and responsibilities and a protocol for how Councillors and Officers work together.	• A robust whistleblowing policy and zero tolerance approach to fraud and corruption. • Leadership encourages open and supportive culture. • The Constitution sets out codes of conduct for Councillors and Officers.	• Guide to decision making in Cabinet style of Governance. • Standard committee report format and modern.gov system for reporting. • Overview and Scrutiny Committee. • Audit and Standards Committee. • Medium Term Financial Strategy and integrated service planning approach. • A corporate Risk Strategy and toolkit. • A revised performance management framework which includes new integrated performance and financial management report.	• A People Resources Plan to ensure that the Council has the staff, the skills, the knowledge, the facilities and the resources to meet legal requirements, its Vision and Corporate Plan.	• Defined standards of customer service backed by a complaints procedure. • Strategy for encouraging stakeholder involvement. • Embedded corporate equalities group.
• An active Corporate Governance Group which has taken charge of the Annual Governance Statement.					

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