Harlow District Council

Statement of Accounts
2015/16

With Narrative Statement and Annual Governance Statement

Harlow Council
Working together for Harlow

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SECTION A

NARRATIVE REPORT

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NARRATIVE REPORT

Introduction

Welcome to Harlow District Council's Statement of Accounts for the year ending 31 March 2016.

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 25 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 so, in order to aid the understanding, a Narrative Report, commencing on page 8, provides commentary on the most significant aspects of the Council's financial performance, its year-end financial position and its cash flows.

I hope you find the statement of interest, 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

Simon Freeman
Head of Finance

Harlow District Council
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NARRATIVE REPORT

The purpose of the narrative is to provide an explanation of the Council's financial position, and assist in the interpretation of the financial statements. It contains commentary on the major influences affecting the Council's income and expenditure and cash flows during the course of 2015/16 and information on the financial needs and resources of the Council.

Explanation of the contents of the Statement of Accounts

Statement of Responsibilities

Authorities are required to include in their accounts a statement of responsibilities for the statement of accounts. This sets out the respective responsibilities of the authority and the chief financial officer for the accounts

Movement in Reserves Statement

The Movement in Reserves Statement (MiRS) is a summary of the changes that have taken place in the bottom half of the Council's Balance Sheet over the financial year. It does this by analysing movements in the net worth of the Authority arising from incurring expenses and generating income, the movement in the fair value of the Council's assets and movements between reserves to increase or reduce the resources available to the Council according to statutory provisions.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

The Balance Sheet shows the value of assets and liabilities recognised by the Council on the last day of the financial year, 31 March 2016. The net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves (those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use). The second category of reserves is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (such as the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding under regulations'.

Cash Flow Statement

The Cash Flow Statement summarises the flows of cash that have taken place into and out of the Council's bank accounts over the financial year. It separates flows into those that have occurred as a result of the Council's operations, those arising from its investing activities and those attributable to financing decisions.

Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practice, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

Collection Fund Accounts

The Collection Fund is the statement reflecting the Council's statutory obligation as a Billing Authority to maintain a separate Collection Fund. It is the "Billing Authority" that issues Council Tax bills on behalf of all local authorities serving their area of responsibility. The statement shows the transactions of the Council, as Billing Authority, in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates (also known as Business Rates).

The Council Tax balance is shared between Harlow Council, Essex County Council, and the Police and Crime Commissioner for Essex in proportion to their precept. The Business Rates balance is shared between Central Government, Harlow Council and Essex County Council in the percentages 50% / 40% / 10%, respectively.

Results for 2015/16

Revenue spending - General Fund

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

The Council set a budget for spending on General Fund services of £10.983 million plus an overall deficit on the General Fund of £0.008 million and a deficit on the Collection Fund of £0.218 million. The budget identified that financing from the total budget requirement would be from Grant funding of £4.813 million and Council Tax of £6.374 million.

The Council Tax for a Band D property was set at £263.02, a 1.5% increase on the previous year for the Harlow Council's portion of Council Tax.

The following table summarises the outturn position (see overleaf):

General Fund Outturn	Original Estimate £000	Revised Estimate £000	Actual £000	Variance £000
Council Services				
Chief Executive	(49)	(49)	2	51
Finance	3,572	3,670	2,430	(1,142)
Community Wellbeing	4,165	4,149	4,986	821
Housing (GF)	676	788	1,405	729
Governance	930	1,096	633	(297)
Place	4,468	4,073	5,675	1,207
Net Service Expenditure	13,762	13,727	15,131	1,369
Reversal of capital charges	(2,313)	(2,313)	(5,166)	(2,853)
Net Interest Payable	206	206	121	(85)
MRP	122	122	122	0
Other Operating costs	(737)	(597)	623	1,360
	11,040	11,145	10,831	(209)
Transfers to / (from) reserves	(49)	271	365	414
Total Net Spending for the Year	**10,991**	**11,416**	**11,196**	**205**
Met by:				
Council Tax Payers	(6,374)	(6,374)	(6,374)	0
Business Rates (surplus)/ deficit	204	204	645	441
Government Grants	(4,813)	(4,979)	(4,979)	(166)
	8	**267**	**488**	**480**

General Fund Budget Variations (Actual Against Original Estimate)

During 2015/16 the Council's total net expenditure on its General Fund was £11.2 million (£12.4 million 2014/15), which was offset by income from Council Tax and Government Grants.

The Council's funding from Central Government in 2015/16 reduced by 16.04% compared to the previous year. Despite this, however, the Council has succeeded in continuing to deliver key services to the residents within Harlow.

The General Fund Balance as at 31 March 2016 stands at £3.888 million; a reduction of £0.488 million compared to the previous year. This continues to compare favourably with the Council's recommended minimum working balance of £2.5m. Subject to formal Cabinet approval (July 2016), a proportion of this balance (£0.137m) will be used to support spending plans that will be carried forward into 2016/17. Further net transfers to reserves totalling £0.637 million will also be made, again subject to Cabinet approval (July 2016), in addition to a net of £0.734 million already approved earlier in the financial year. The purpose of the General Fund is to enable the Council to hold sufficient resources to help both protect itself financially into the future and to protect the services it delivers to Harlow.

Service Management Commentary on General Fund Services

Finance – Head of Service Commentary

“The year-end management accounts report that the Finance Service has underspent by £392,000 in 2015/16 (this sum excluding items that are not directly controllable costs within the service), which is consistent with previous reporting to Cabinet during the year. The underspend is largely attributable to the vacancy levels within the Revenues and Benefits and ICT services during the first 6 months of the financial year and the ongoing improvement in the insurance claims history experience of the Council. Recruitment has now been successful in both the ICT and Revenues and Benefits Services and it is not anticipated that these savings will materialise in subsequent financial years.”

Community Wellbeing – Head of Service Commentary

“Overall, financial control is good with the net underspend partly contributed to vacancy savings and a reduced contributions required for Harlow Sports Trust. Lower than expected bookings at the Playhouse during Easter and September and arrangements to cover maternity and sickness leave have had a negative impact on income and has contributed towards an overspend on the Playhouse budget.”

Housing (General Fund) – Head of Service Commentary

“Resources for Housing Need continue to reduce with the need to prioritise and target resources accordingly to assess and support increased demand. There is an indication of a 35% increase in the ongoing demand for temporary accommodation.

Efficiencies continue being realised from the ongoing re-procurement of temporary accommodation. This together with continuing to prioritise homelessness prevention initiatives reduce the cost of housing need and homelessness, thereby reducing the Council`s statutory provision and overall costs.

Supporting People commissioning arrangements are again to be reviewed. Funding has been reduced for 2016/17 requiring the passing on of support charges to recipients, and/or a reduction in the services provided. It is expected that the total Supporting People grant will be removed in the coming years.”

Governance – Head of Service Commentary

“Good financial control continued to be maintained during the 2015/16 financial year with no major variations. Issues which have arisen are primarily staffing related either through the occurrence of vacancies leading to savings or the non-achievement of vacancy savings currently built into the service budget.”

Place – Head of Service Commentary

“Financial control has been good and there are no indications from this quarter’s results that would point towards areas of concern. The cost rise in Planning reflects an increase of one post to deal with major planning applications and is partially offset by an increase in application fees. Car parks income has risen above expectation due in part to the mild weather – i.e. no snow or ice that would otherwise restrict customer usage.”

Revenue spending- Housing Revenue Account

The Council set a budget for spending on Housing Revenue Account services of £57.974 million, to be principally financed by income from rents and service charges relating to housing properties.

The following table summarises the outturn position:

	Original Estimate £000	Actual £000	Variance £000
Expenditure			
General Management	12,363	10,729	(1,634)
Supervision and Management	5,635	5,100	(535)
Repairs	9,202	9,004	(198)
Rents, Rates, Taxes and Other Charges	30	22	(8)
Provision for Bad and Doubtful Debts	360	123	(237)
Supporting People Transitional Arrangements	7	6	(1)
Major Repairs Allowance (Net Depreciation)	11,270	11,105	(165)
Interest Charges	14	7	(7)
Debt Management Expenses	6,768	6,740	(28)
Revenue Contribution to Capital Expenditure	12,110	6,426	(5,684)
Transfers to/from Insurance Fund	215	176	(39)
Total Spending for the year	**57,974**	**49,438**	**(8,536)**
Income			
Dwelling Rents	46,143	46,226	83
Non-Dwelling Rents	957	992	35
Other Rents	22	20	(2)
Charges for Services and Facilities	4,083	3,556	(527)
Interest Receivable	44	74	30
Total Income for the year	**51,249**	**50,868**	**(382)**
Net HRA (Surplus)/Deficit	**6,725**	**(1,430)**	**(8,154)**

Housing Revenue Account Budget Variations (Actual Against Original Estimate)

The net of expenditure and income in the Housing Revenue Account for 2015/16 varied by a favourable £8.154 million.

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

- General Management: Staffing vacancies and programme and project management fees contributed to a favourable variance of £0.519m. Home loss payments and moving incentives arising from Priority Estates were £0.551m less than originally estimated due to the difficulty of forecasting demand and uncertainty around tenant removal and home loss claims.

- Supervision and Management: Services to tenants and leaseholders benefitted from lower than expected fuel costs and the continuing installation of smart meters resulting in greater accountability to the consumer for heating and lighting. Savings to the HRA for all services based on utility costs were £0.162m, offset by a reduction in income in Charges for Services and Facilities of £0.144m.
- Repairs and Maintenance savings of £0.244m resulted from a review of the garage strategy. In addition there was a favourable variance in respect of the cost of securing empty properties £0.087m and insurance claims of £0.174m. However, adverse variances arose from the uplift in the Kier Harlow Ltd contract £0.098m and asbestos monitoring and survey work £0.025m.
- The Provision for Bad and Doubtful Debts was lower by £0.237m due to a reduced turnaround of tenancies and Welfare Reform changes implemented later than was originally anticipated, for a restricted number of applicants.
- Non-operational variances totalling a favourable £5.849m relate to a reduction in depreciation charge in the Major Repairs Reserve of £0.165m and a decrease in the Direct Revenue Contribution to Capital of £5.684m. The reduced contribution follows a lower than estimated outturn in the Housing Capital Programme, and attributable also to a carry-over of work totalling £3.824m to 2016/17
- Income: Dwellings Rents were £0.083m higher than estimated due to the Council holding more properties at year end offset by a lower void rate. The higher stock level was mainly due to the delay in transferring properties as part of the priority estates regeneration programme.

Capital spending

In its capital investment programme, aligned with both General Fund and Housing services, the Council incurred capital expenditure totalling £25.6million in 2015/16 against an approved programme of £32million. Schemes to the value of £6.6million, including some funded from grants of £1.1million, are to be carried forward for completion in 2016/17.

Major housing schemes worked on during 2015/16 included:

- General improvements to homes (including internal works, windows and doors, electrical works and external works) £14.2million.
- Garages; £0.7million.
- Final account for 18 new Council properties £2.1million.
- Disabled facilities to dwellings; £1.7million.
- Completion of refurbishment to Barley Croft and Lower Meadow; £0.9million.
- Energy Efficiency work; £0.6million.

Other schemes in the capital programme included:

- IT development; £0.4million
- Work to Council properties; £0.5million
- Town Park regeneration (Match Funded); £2.1million
- Restoration of the Gibberd Collection of Watercolours; £0.02million

Enterprise Zone

In 2014/15 the Council had received a grant of £11,205,000 from the Department for Communities and Local Government for the acquisition of land and infrastructure work relating to the Harlow Enterprise Zone which seeks to attract 100 businesses and create more than 2,500 jobs to the area over two linked sites on the eastern side of Harlow, at Templefields and London Road.

In 2015/16 the Council completed the acquisition of land (£5,730,000) at London Road to enable the delivery of a new Science Park on the Enterprise Zone site. During the year the Council started preparatory work on a new access road to the site which will be constructed in 2016/17. The Council also undertook the procurement of a development partner, Vinci UK Developments Ltd, to deliver the construction of the new Science Park. New tenants have been secured with 120,000 square feet of space pre-let for occupation in the autumn of 2016.

Programme of Development

In 2015/16 the Council held £6.9 million as the Accountable Body for Programme of Development regeneration schemes. The grant monies included £6.5million 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 2015/16 the Council drew down a total £2.9million, of which £0.5million funded capital expenditure for work on Harlow's Priority Estates, £0.7m supported the completion of the Pathfinder Homes, £0.7m funded capital works in the Town Park and a short-term loan of £1m was made to Harlow Properties Ltd. Claims from partner authorities drew down a total of £0.025million to fund capital works.

Revaluation of Land and Property Assets

The Council undertakes the revaluation of its land and property assets on a rolling basis, which allows all such assets to be revalued at least once every five years in accordance with Accounting Standards. Harlow Council has appointed new Valuers to carry out its non-housing valuations from 2015/16. The valuation for 1 April 2015 represents the first year of a five year cycle, so the Council has taken the opportunity to review its whole portfolio.

Part of this exercise involved a restatement of the classification of properties between Investment Properties and Property Plant and Equipment. The Council's External Auditors have agreed that the Council provides a restatement to provide appropriate comparative tables in the statement of Accounts and, as a result a set of restatements for the 2014/15 financial year have been incorporated into the Balance Sheet, Movement in Reserves Statement, Consolidated Revenue Account and relevant accompanying notes to these core statements in order to show how the adjustments would have impacted during that earlier financial year. Further details on investment properties are contained within notes 4, 11 and 13 that accompany the Statement of Accounts.

Funding the Capital Programme

The General Fund Capital Programme expenditure totalled £3.950 million and was funded through a combination of Direct Revenue Financing (£0.330 million), Grants (£0.323 million), Capital Receipts (£0.199 million), Asset Disposals (£0.046 million), Renovation loans (£0.006 million) and Internal Borrowing (£1.014 million).

The Housing Capital Programme expenditure totalled £21.452 million and was financed from Capital Receipts (£2.591 million), Revenue Reserves (£6.426 million), Major Repairs Reserve (£11.105 million), Grant Funding (£1.325 million) and Other Contributions (£0.005 million).

Internal Capital Financing

The Council is empowered to undertake borrowing 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 2015/16 capital investment was financed by £1,014,000 from internal resources. The Council has not entered into borrowing to finance the housing capital programme during the financial year but has used surplus resources.

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, the Council has a policy of utilising receipts from the sale of assets as its first funding source to fund capital investment 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 borrow internally while it has a strong cash flow position, thus removing the need to borrow externally in 2015/16 which, in turn, would have attracted additional costs. Future receipts will be utilised to offset this internal 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 Assets and Current Liabilities

The level of current assets reported in the balance sheet has reduced from £58.741 million at 31 March 2015 to £54.725 million as at 31 March 2016, a reduction of £4.016 million. The most significant movements were:

- an increase in short term investments (by £7.069 million), resulting from a higher level of investments placed for periods exceeding three months in duration (met by a reduction in cash and cash-equivalents, as set out below);
- a reduction in the level of short-term debtor balances of £2.695 million, which primarily relates to a reduction in money owed to the Council at the year-end by central government;
- a reduction of £9.392 million in the level of cash and cash equivalents held, due to an increase in investments placed for durations exceeding three months.

For current liabilities there has been an increase from £21.866 million at 31 March 2015 to £23.991 million as at 31 March 2016, an increase of £2.125 million. This increase is largely represented by a £0.549 million increase in sundry creditors, as shown in note 20 which accompanies the financial statements.

Pension Fund

The Council's liability to provide for the cost of past employment benefits to staff has increased in the year ended 31 March 2016.

The liability reported as at 31 March 2015 was £99.893 million. The revised liability as at the 31 March 2016 is £94.184 million. The decrease is due to a number of factors, the most significant of which are actuarial gains due mainly to significant changes in financial assumptions and reduced interest costs. More information regarding the Defined Benefit Pension Scheme can be found in Note 39 of the Statement of Accounts.

Other Long Term Liabilities

Other long-term liabilities have reduced from 100.002 million (as at 31 March 2015) to 94.184 million (as at 31 March 2016). This stems from a reduction in the Council's pension scheme deficit.

Financial Prospects Looking Forward

General Fund

The 2015/16 outturn position has remained strong because, whilst the Council reduced its General Fund Balance by £488,000, £1.517 million in the year was transferred into Earmarked Reserves in order to protect the continuation of discretionary service delivery, for future investment in Harlow and to protect Council Tax bills from future expenditure commitments. General Fund Earmarked Reserves now stand £12.519 million with a further £3.888 million held in the General Fund working balance.

The Council's Medium Term Financial Plan for 2016/17 to 2019/20, agreed at Council in February 2016, shows that there remains a significant funding shortfall over the four year period 2017/18 to 2020/21. If the Council is to set a sustainable and balanced budget allowing for at least a 1.5% annual increase in Council Tax levels the following savings will need to be identified and delivered:

Year	**Budget Savings Requirements**
2017/18	£1.425 million
2018/19	£0.886 million
2019/20	£0.446 million
2020/21	£0.382 million

It should be noted that the projected budget gaps above are subject to the Government's future funding allocations to the Council, the on-going economic environment in which the Council will operate and any investment requirements needed for existing and on-going service delivery.

In considering the level of the projected savings to be made it is important to appreciate the savings already delivered by the Council in recent years. The following table summarises the savings over the period 2005/06 to 2015/16:

	2005/06 to 2011/12	2012/13	2013/14	2014/15	2015/16
Annual Savings		£1.906m	£1.502m	£1.534m	£1.264m
Cumulative Savings	£15.088m	£16.994m	£18.496m	£20.030m	£21.294m

- In light of the scale of the reductions and in the absence of any assurances that local growth in business rates will compensate for the reduction in Revenue Support Grant (RSG) element of the Council's Settlement Funding Assessment (SFA), the protection of services cannot be guaranteed in future years. Achieving future savings equivalent to the levels identified in paragraph 7 above will be extremely difficult to deliver without reducing services and increasing the Council's exposure to risk.

Going forward there are still significant uncertainties and risks which the Council needs to monitor including:

- Occurrence of Significant variations in actual income and expenditure against budget
- Business Rates income is lower than forecast
- New Homes Bonus is lower in future years following the Government reforms to its funding of local councils
- Welfare Reform impacts the Council more adversely than assumed
- Movements in interest rates - with bank base rates at an all-time low, investment income earned will also be supressed, whilst any increases in the longer-term would adversely impact on the cost of borrowing by the Council in delivering future capital programmes.
- Additional pressures arising or non-delivery of savings that have an on-going financial impact on the Council
- The knock-on implications of funding cuts being experienced by partner organisations
- Continued pressure on the Council's income streams such as off-street parking facilities, planning, licensing and rental income from businesses.
- Increased demand for council services, such as for the housing of homeless families.

Housing Revenue Account

To ensure the sustainability of the housing service, the Council produces a 30-year Business Plan annually. The HRA Business Plan 2015-2045 produced a balanced account, maintaining sufficient minimum working balances over the medium term, and aiming to:

- Tackle housing need and improve housing services
- Maintain 'decent homes' and compliance of the Council's housing stock to statutory targets
- Target resources in order to safeguard the wellbeing and safety of the Council's tenants in their homes
- Prioritise energy efficiency initiatives that alleviate fuel poverty
- Prioritise resources for disabled adaptations
- Maximise the availability of future Housing Related Support funding for services currently commissioned by Essex County Council.

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

The Welfare Reform and Work Act 2016 requires social landlords to decrease rents annually by 1% over the next four financial years (2016/17 – 2019/20). This has challenged councils to make efficiencies in order to deliver sustainable services.

Government policy regarding the sale of larger properties in support of Registered Social Landlord (RSL) Right to Buy proposals, for which the details of how this will operate and impact on the Council are still awaited.

The introduction from 2017 of the Government's "Pay to Stay" policy to charge higher earning households an increased rent, which will be passed to the government in order to support the 'Right To Buy' for tenants living in housing association property. Again regulations have yet to be tabled.

Welfare Reform: the government's reduction in benefits to non-working families may have an adverse impact on tenants' ability to pay.

The risk of finding and removing asbestos from properties, which in turn may increase removal and compensation costs in the revenue budget.

Performance Management
Harlow Council wants to provide the best possible services. We monitor our performance to see how good we really are. One of the ways we monitor how we perform is through the use of national and other performance indicators. The government requires all councils to collect data on areas such as waste, planning, benefits and housing. We regularly compare our performance against other councils, celebrate areas of good performance and provide challenge to areas where we are not performing so well. This involves a range of mechanisms:

- Joint Finance and Performance Reports – these quarterly reports monitor how well the Council is doing in providing its services and against its Corporate Plan and managing its finances against its budgets.
- Council awards and accreditations - the Council has won a range of awards which recognises its innovation and achievements.
- Performance Management Framework – this document explains the steps used in the process of managing performance, as well as listing the tools available for staff and Councillors to assist them in carrying out these steps well. The framework also provides further detail on the specific roles, responsibilities and mechanisms for performance within Harlow Council.

Throughout each year senior management and Members of the Council monitor and report on a significant range of Corporate Performance Indicators. Harlow Council had performed on target or above target for 53 out of 57 (93 per cent) of performance indicators at the conclusion of 2015/16. Sixty-four per cent of indicators have been maintained or improved compared to the same period in 2014/15.

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

In Conclusion
I would like to thank Finance staff for their work in preparing these Statements. I hope the information is helpful in allowing you to have a clear understanding of how the Council's money has been spent in 2015/16.

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

- visit our website at www.harlow.gov.uk/finances
- contact me by e-mail at simon.freeman@harlow.gov.uk
- write to us at:

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

- or, contact our auditors Ernst & Young LLP via the Audit Manager, Steve Bladen at sbladen@uk.ey.com

Simon Freeman
Head of Finance

June 2016

SECTION B

STATEMENT OF ACCOUNTS 2015/16

STATEMENT OF RESPONSIBILITES

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 21 to 154 presents a true and fair view of the financial position of Harlow District Council as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

The unaudited Accounts were issued on 30 June 2016 and, when completed, the audited Accounts are scheduled to be presented to the Council's Audit and Standards Committee and Cabinet for review on 7 September 2016 and 15 September 2016, respectively, prior to authorisation and issue.

Signed ……………………………………… Date (15 September 2016)

Simon Freeman CPFA
Head of Finance

Signed ……………………………………… Date (15 September 2016)

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 2016

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**	*Total Authority Reserves (before restatement)*
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	**£000s**	£000s	£000s	*£000s*
Balance at 31 March 2014 carried forward	4,753	9,415	4,113	3,854	2,622	2,416	6,998	**34,171**	374,903	**409,074**	***409,074***
Movement in reserves during 2014/15											
Surplus / (Deficit) on the provision of services	9,786		(18,169)					**(8,383)**		**(8,383)**	***(8,137)***
Other Comprehensive Income and Expenditure									49,367	**49,367**	***49,019***
Total Comprehensive Income and Expenditure	**9,786**		**(18,169)**					**(8,383)**	**49,367**	**40,984**	***40,882***
Adjustments between accounting basis & funding basis under regulations (Note 6)	(6,392)		25,249		703	(2,416)	6,918	**24,062**	(24,062)		
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**3,394**		**7,080**		**703**	**(2,416)**	**6,918**	**15,679**	**25,305**	**40,984**	***40,882***
Transfers to/ (from) Earmarked Reserves (Note 7)	(3,771)	3,771	(323)	323							
Increase / (Decrease) in 2014/15	**(377)**	**3,771**	**6,757**	**323**	**703**	**(2,416)**	**6,918**	**15,679**	**25,305**	**40,984**	***40,882***
Balance at 31 March 2015 carried forward	**4,376**	**13,186**	**10,870**	**4,177**	**3,325**	**0**	**13,916**	**49,850**	**400,208**	**450,058**	***449,956***
Movement in reserves during 2015/16											
Surplus / (Deficit) on the provision of services	(15,456)		(22,846)					**(38,302)**		**(38,302)**	
Other Comprehensive Income and Expenditure									96,839	**96,839**	
Total Comprehensive Income and Expenditure	**(15,456)**		**(22,846)**					**(38,302)**	**96,839**	**58,537**	
Adjustments between accounting basis & funding basis under regulations (Note 6)	15,334		24,439		(1,170)		(8,761)	**29,842**	(29,842)		
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(122)**		**1,593**		**(1,170)**		**(8,761)**	**(8,460)**	**66,997**	**58,537**	
Transfers to/ (from) Earmarked Reserves (Note 7)	(366)	366	(165)	165							
Increase / (Decrease) in 2015/16	**(488)**	**366**	**1,428**	**165**	**(1,170)**		**(8,761)**	**(8,460)**	**66,997**	**58,537**	
Balance at 31 March 2016 carried forward	**3,888**	**13,552**	**12,298**	**4,342**	**2,155**	**0**	**5,155**	**41,390**	**467,205**	**508,595**	

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 2016

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	2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000	2014/15 Restated Gross Expenditure £000	2014/15 Restated Gross Income £000	2014/15 Restated Net Expenditure £000	2014/15 Net Expenditure £000
Central Services to the Public		5,217	(2,059)	3,158	3,385	(1,793)	1,592	1,592
Cultural and Related Services		6,146	(1,448)	4,698	5,693	(1,381)	4,312	4,312
Environmental and Regulatory Services		6,732	(3,141)	3,591	6,929	(2,956)	3,973	3,973
Planning Services		13,929	(4,856)	9,073	6,722	(5,344)	1,378	2,583
Highways and Transport Services		1,264	(3,148)	(1,884)	1,309	(1,506)	(197)	(196)
Local Authority Housing (HRA)		68,721	(50,869)	17,852	69,599	(52,116)	17,483	17,483
Other Housing Services		38,984	(38,725)	259	40,279	(40,344)	(65)	(66)
Adult Social Care		1,090	(357)	733	463	(347)	116	116
Corporate and Democratic Core		2,520	(1,329)	1,191	2,271	(1,282)	989	989
Non-Distributed Costs		1,787	(1,772)	15	1,877	(1,805)	72	72
Cost of Services				**38,686**			29,653	30,857
Other Operating Expenditure	8			2,986			(877)	(877)
Financing and Investment Income and Expenditure	9			11,070			8,526	7,076
Taxation and Non-Specific Grant Income	10			(14,440)			(28,919)	(28,919)
(Surplus)/ Deficit on Provision of Services				**38,302**			8,383	8,137
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets				(90,390)			(61,709)	(61,361)
(Surplus)/ Deficit on Revaluation of Available for Sale Financial Assets				61			-	-
Actuarial (Gains)/ Losses on Pension Assets and Liabilities				(6,487)			12,342	12,342
Other Comprehensive Income and Expenditure				**(96,816)**			(49,367)	(49,019)
Total Comprehensive Income and Expenditure				**(58,514)**			(40,984)	(40,882)

The accounts for 2014/15 have been restated following a major review of asset categories during the revaluation exercise as at 1 April 2015. The majority of items which hitherto have been classified as Investment Properties have been reclassified as Property, Plant and Equipment. Comparative figures in the Balance Sheet show plainly the retrospective changes from 1 April 2014, but other core statements are also affected because of the difference in treatment mainly of depreciation.

Secondly, the Revaluation of Available for Sale Financial Assets is a new line reflecting the use for the first time of investments which may be sold at any time. The Council also invested in Certificates of Deposit for the first time. The Council invested £2m in a Property Fund in September 2015 which incurred stamp duty and other legal costs. At 31 March 2016 the increase in capital value of the investment was insufficient to cover costs, hence there is shown a net deficit. (See note 15 for more information.)

BALANCE SHEET AS AT 31 MARCH 2016

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	2015/16 £000	2014/15 Restated £000	2014/15 £000
Property, Plant & Equipment	11	778,107	719,936	700,578
Heritage Assets	12	1,639	1,516	1,516
Investment Property	13	1,789	3,056	22,316
Intangible Assets	14	1,090	1,261	1,261
Long-Term Investments	15	1,896	-	-
Long-Term Debtors	44	556	596	596
Long-Term Assets		**785,077**	726,365	726,267
Short-Term Investments	15	16,080	9,012	9,012
Assets Held for Sale	19	2,382	1,335	1,335
Inventories	16	26	29	29
Short-Term Debtors	17	8,983	11,678	11,678
Cash and Cash Equivalents	18	27,295	36,687	36,687
Current Assets		**54,766**	58,741	58,741
Short-Term Borrowing	15	(81)	(81)	(81)
Short-Term Creditors	20	(21,595)	(18,894)	(18,894)
Short-Term Provisions	21	(2,315)	(2,891)	(2,891)
Current Liabilities		**(23,991)**	(21,866)	(21,866)
Long-Term Creditors	15	(403)	(415)	(415)
Long-Term Provisions	21	-	(69)	(69)
Long-Term Borrowing	42	(211,837)	(211,837)	(211,837)
Other Long-Term Liabilities	43	(94,184)	(100,002)	(100,002)
Grants Receipts in Advance - Capital	34	(833)	(858)	(858)
Long-Term Liabilities		**(307,257)**	**(313,182)**	**(313,182)**
Net Assets		**508,595**	450,058	449,960
Usable Reserves	22 & MIRS	(41,390)	(49,851)	(49,851)
Unusable Reserves	23	(467,205)	(400,207)	(400,109)
Total Reserves		**(508,595)**	(450,058)	(449,960)

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 2016, and the audited accounts were authorised for issue on 15 September 2016.

Signed:

Simon Freeman CPFA
Head of Finance
15 September 2016

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

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	2015/16 £000	2014/15 £000
Net Surplus/(Deficit) on the Provision of Services		(38,302)	(6,816)
Adjustments to Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements		64,970	59,269
Adjustments for Items Included in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities		(8,218)	(21,881)
Net Cash Flows from Operating Activities		**18,450**	**30,572**
Investing Activities	25	(31,523)	(20,395)
Financing Activities	26	3,681	380
Other			
Net (Increase)/Decrease in Cash and Cash Equivalents		**(9,392)**	**10,557**
Cash and Cash Equivalents at the Beginning of the Reporting Period		36,687	26,130
Cash and Cash Equivalents at the End of the Reporting Period	18	**27,295**	**36,687**

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

CASH FLOW STATEMENT

	2015/16 £000	2014/15 £000
Depreciation	52,439	26,466
Impairment and Downward valuations	6,724	23,278
Amortisation	377	248
Movement in Collection Fund Adjustment Account	(2,975)	(921)
Increase/ Decrease in Creditors	(3,329)	2,702
Increase/ Decrease in Debtors	2,158	(565)
Increase/ Decrease in Inventories	3	3
Movement in Pension Liability	778	762
Contribution to/ (from) Provisions	(645)	942
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	5,178	5,787
Movement in Investment Property Valuations	1,287	(354)
Total	**61,995**	**58,348**

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:

	2015/16 £000	2014/15 £000
Capital Grants credited to surplus or deficit on the provision of services	(1,359)	(12,199)
Net adjustment from the sale of short and long term investments	0	0
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(6,859)	(9,682)
Total	**(8,218)**	**(21,881)**

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. 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 2015/16 and the Service Reporting Accounting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance, issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historic 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, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting estimates are accounted for prospectively (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.

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.
- Liabilities are discounted to their value at current prices, using the discount rate of 3.5% calculated by the scheme's actuaries. The discount rate is the annualised yield at the 17-year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date
- 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 Council – 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.

vii. 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.

viii. Financial Instruments

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis or to realise the net asset and settle the liability simultaneously.

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 loans to leaseholders for capital works at less than market rates. These are known as soft loans. When soft loans are made 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure 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 Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

ix. 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.

x. 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.

xi. 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.

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 – The insurance values of the Council owned art are the basis for the asset values included in the Balance Sheet. These assets are deemed to have an indeterminate life and high residual values, thus the Council does not consider it necessary to provide for depreciation. Acquisitions are initially recognised at cost, and donated assets at valuation provided by external valuers, with reference to appropriate commercial markets using the most recent and relevant information from sales at auctions.
- Artefacts at The Museum of Harlow – The Collection is valued for insurance purposes; these valuations are the basis upon which the asset values included in the Balance Sheet. These assets are deemed to have an indeterminate life and the Council does not consider it appropriate to provide for depreciation. Donated assets acquired are recognised at valuation provided initially by 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 Assets – these are recognised at cost, except for donated assets which are recognised at insurance valuation.
- Listed Buildings – 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 within their respective asset categories.

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.

xii. 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.

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. Interests in Companies and Other Entities

The Council has material interests in Kier Harlow having a 19.9% share in the Joint Venture representing an associated entity. Due to the immateriality of the entity Group Accounts are not required.

xv. 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use Subject to data availability from Tenants and materiality considerations. Properties are not depreciated but are revalued annually according to market conditions at the year-end; this involves an assessment of Properties where material changes could have occurred and valuation to all those cases. 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.

xvi. 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 (Department for Communities and Local Government), 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.

xvii. 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.

xviii. 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 2015/16 (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.

xix. 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)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- 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 current value are revalued sufficiently regularly (as a minimum every five years) to ensure that their carrying amount is not materially different from their current 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 1 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.

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.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

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 no assets to which this applies.

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

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.

xx. Private Finance Initiative (PFI) and Similar Contracts

Refuse Collection Service Contract (Veolia)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. The Council maintains an agreement with Veolia to deliver the refuse collection services which, although it is not a PFI contract, fits this category identified within the Code of Practice on Local Authority Accounting whereby responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under its schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The liability is written down by a capital contribution based on a finance lease calculation (the lease is an embedded lease).

Non-current assets recognised on the Balance Sheet are depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to Veolia each year are analysed into three elements:

- **fair value of the services received during the year –** debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **finance cost –** an interest charge of 6.8% on the outstanding Balance Sheet liability,

debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

xxi. 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, 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.

xxii. 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.

xxiii. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the 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.

xxiv. 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.

xxv. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments, such as property investment fund holdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

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.

- On 1 April 2013, Local Authorities assumed responsibility for refunding ratepayers who have successfully appealed against the Business Rates rateable value of their properties. This will include amounts that were paid over to Central Government in respect of 2012/13 and prior years. The carrying amount of the provision is £5.195m. The Council's share of which is £2.078m (40%), which is reflected in the Accounts. An increase in the success rate of 5% would increase the provision by £0.260m, increasing the deficit on the Collection Fund, and increasing the Council's liability by £0.104m. The remainder would be shared between preceptors and Central Government.
- 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. Recent legislative changes to reduce rents over the next four financial years have caused the Council to significantly change its plan.
- Council Housing has for the sixth year, not been subject to Componentisation due to the short life of the property, revealing no material change in depreciation.
- Interest in Companies and other Entities:

  The Council has interests in a number of Companies, as follows:

  Kier Harlow Limited - an associated company of Harlow District Council which provides property maintenance services. The Council has a 19.9% share in the company.

  Harlow Regeneration Limited (HRL) - a wholly owned subsidiary company operated by Harlow Council. The transactions are immaterial.

  HTS (Property and Environment) Limited - a wholly owned subsidiary of HTS Group Limited, which was incorporated 24 December 2015. The company is being established to deliver property maintenance and a range of environmental services for the Council. It has one fully paid up ordinary share held by Harlow District Council. Being in its infancy, there were no financial transactions by the company during the Council's year of account for 2015/16. The company is not due to commence trading until 1 February 2017.

  The CIPFA Accounting Code of Practice notes that authorities with interests in associates shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered not material. Due to the immateriality of the proportionate interests to the Council of the three companies listed above, Group Accounts have not been prepared in 2015/16, but a disclosure is made of transactions in Note 35 to the Accounts on Related Party Transactions.

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. From 1 April 2017 there will be new regulations which require councils to depreciate assets without an adjustment back to the Major Repairs Allowance. This 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. Council Dwellings valuation Council Dwellings were re-valued on the Beacon principle as at 1 April 2015. In years where property values are stable no further valuation work is necessary to ensure the balance sheet value reflects fair value. During 2015/16 values increased significantly and therefore an increase was applied as at 31 March 2016 based on the estimated increase required to book value in order to reflect fair value as at 31 March 2015	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 £237,000. The Major Repairs Reserve records a difference between valuation depreciation and Major Repairs Allowance of £12.7million. 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	The following provisions have been made as at 31 March 2016:- A provision of £2.817 million has been made in relation to the estimated impact of appeals for Business Rate valuations. Secondly, for any insurance claim liabilities, £186,000 (see note 21).	The provisions made represent a contingency for potential future outcomes. As the outcomes become known 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 amount provided for there would be a £51,950 change in the sum provided of which Harlow's share would be £20,780.
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 2015/16, the pension fund actuaries advised that the net pensions' liability had decreased by £5.709million. £6.487million was related to actuarial re-measurement gain plus other movements of £0.762million.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2016, the Council had made significant provisions for doubtful debts, amounting to £5.387 million in total. Council tenant rent bad debt provision increased to £2.888 million, providing substantial cover for non-payment of arrears. The Housing Welfare reforms, and the implementation of higher rents to higher earning households, will create more challenges for rent collection from 2016/17 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 £53,870.

4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

Actuarial Gain

The Pension Fund Actuary has reported an actuarial gain for 2015/16 of £6.487 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 2015. A further exercise has then been undertaken to establish whether there has been a change in value between 1 April 2015 and 31 March 2016. For housing assets, this has resulted in a new valuation at 31 March 2016. The Council has reflected the 31 March 2016 value in the non-current asset register, reporting these movements in note 11.

Resulting from the valuation exercise, many assets have changed in category in particular Investment Properties have been changed to Property Plant and Equipment.
The effect of this in recording income and expenditure is that income and expenditure on the PPE property will be recorded against the services along with depreciation and the not in the Finance and investment line on the CI&E.

Enterprise Zone
In 2015/16 the Council completed the acquisition of land at London Road to enable the delivery of a new Science Park on the Enterprise Zone site. During the year the Council started preparatory work on a new access road to the site which will be constructed in 2016/17. The Council also undertook the procurement of a development partner, Vinci UK Developments Ltd, to deliver the construction of the new Science Park. New tenants have been secured with 120,000 square feet of space pre-let for occupation in autumn 2016.

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 2016, 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 15 September 2016. 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 15 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 2015/16 (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:

2015/16	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	(5,166)	(20,981)				26,147
Revaluation losses on Property Plant and Equipment	(6,618)	(105)				6,723
Movements in the fair value of Investment Properties	(1,286)					1,286
Amortisation of intangible assets	(239)	(138)				377
Capital grants and contributions applied	323	60				(383)
Income in relation to donated assets						
Revenue expenditure funded from capital under statute	(563)	(90)				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	(138)	(5,040)				5,178
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	540					(540)
Capital expenditure charged against the General Fund and HRA balances	330	6,426				(6,756)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,274				(1,274)	
Application of grants to capital financing transferred to the Capital Adjustment Account					10,035	(10,035)
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	52	6,674	(6,830)			104
Use of the Capital Receipts Reserve to finance new capital expenditure			3,467			(3,467)
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals						

Continued overleaf

2015/16 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.	(4,533)		4,533			
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		(12,770)		(11,105)		23,875
Use of the Major Repairs Reserve to finance new capital expenditure				11,105		(11,105)
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		10				(10)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,259)	(530)				5,789
Employer's pensions contributions and direct payments to pensioners payable in the year	2,968	2,043				(5,011)
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	2,970					(2,970)
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	11	2				(13)
Total Adjustments	(15,334)	(24,439)	1,170	0	8,761	29,842

2014/15	Usable Reserves					
	Restated General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Restated Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(3,579)	(23,749)				27,328
Revaluation losses on Property Plant and Equipment	(13)	(1)				14
Movements in the fair value of Investment Properties	354					(354)
Amortisation of intangible assets	(144)	(104)				248
Capital grants and contributions applied	290					(290)
Income in relation to donated assets						
Revenue expenditure funded from capital under statute	(536)					536
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,142)	(4,644)				5,786
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	503					(503)
Capital expenditure charged against the General Fund and HRA balances	59	2,534				(2,593)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	11,574	4,506			(16,080)	
Application of grants to capital financing transferred to the Capital Adjustment Account					9,162	(9,162)
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	3,472	6,145	(9,932)			315
Use of the Capital Receipts Reserve to finance new capital expenditure			6,274			(6,274)
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals						

Continued overleaf

2014/15 continued	**Usable Reserves**					
	Restated General Fund Balance £000s	**Housing Revenue Account** £000s	**Capital Receipts Reserve** £000s	**Major Repairs Reserve** £000s	**Capital Grants Unapplied** £000s	**Restated Movement in Unusable Reserves** £000s
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(2,955)		2,955			
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		(11,645)		(11,005)		22,650
Use of the Major Repairs Reserve to finance new capital expenditure				13,421		(13,421)
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		54				(54)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,390)	(414)				5,804
Employer's pensions contributions and direct payments to pensioners payable in the year	2,975	2,067				(5,042)
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	920					(920)
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	4	2				(6)
Total Adjustments	6,392	(25,249)	(703)	2,416	(6,918)	24,062

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 2015/16 and the preceding financial year, 2014/15.

Earmarked Reserve	Balance as at 31 Mar 2014 £000s	2014/15 Transfers Out £000s	2014/15 Transfers In £000s	Balance as at 31 Mar 2015 £000s	2015/16 Transfers Out £000s	2015/16 Transfers In £000s	Balance as at 31 Mar 2016 £000s
GENERAL FUND RESERVES							
Perpetuity Reserves	907	(4)	39	942	(4)	6	944
Discretionary Services Fund	1,134	(1,366)	4,733	4,501	(2,643)	1,237	3,095
Regeneration Reserve	0	0	0	0	0	1,000	1,000
Regeneration and Enterprise Reserve	0	(10)	244	234	(10)	196	420
Environment Reserve	98	0	10	108	0	7	115
Housing Benefits Subsidy Reserve	150	0	71	221	0	315	536
Insurance claims - GF	488	0	81	569	(86)	50	533
Insurance Fund - GF	976	(66)	119	1,029	(65)	241	1,205
Invest To Save Reserve	459	(36)	12	435	(39)	3	399
Partnership Fund	200	0	0	200	0	0	200
Debt Financing Reserve	294	0	838	1,132	(87)	838	1,883
ER-GF Revenues and Benefits Service Structural Process Review Reserve	0	0	0	0	(99)	186	87
Planning Reserve	193	(11)	0	182	(12)	0	170
Residual Land Transfer	93	0	0	93	0	42	135
Risk Management Reserve	78	(4)	33	107	(24)	74	157
Severance Reserve	935	0	265	1,200	0	337	1,537
Standards Committee Contingency	50	0	0	50	0	0	50
Street Lighting Reserve	0	0	0	0	0	54	54
Total General Fund	**6,055**	**(1,497)**	**6,445**	**11,003**	**(3,069)**	**4,586**	**12,519**
HRA RESERVES							
Perpetuity Reserves	1,363	(328)	415	1,450	(347)	392	1,495
HRA OJEU Contract 2015	500	(20)	0	480	(77)	0	403
Insurance claims - HRA	434	0	146	580	(100)	50	530
Insurance Fund - HRA	1,500	(159)	220	1,561	(85)	221	1,697
Risk Management Reserve	56	0	49	105	0	111	216
Total HRA	**3,853**	**(507)**	**830**	**4,176**	**(609)**	**774**	**4,342**
EARMARKED GRANTS RESERVES							
General Fund	3,361	(1,301)	124	2,184	(1,455)	303	1,033
HRA	0	0	0	0	0	0	0
Total Earmarked Grants	**3,361**	**(1,301)**	**124**	**2,184**	**(1,455)**	**303**	**1,033**
Total All Earmarked Reserves	**13,269**	**(3,305)**	**7,399**	**17,363**	**(5,133)**	**5,663**	**17,894**

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.
Regeneration Reserve	This reserve has been established to finance future costs relating to the regeneration of the town centre.
Revenues and Benefits Service Structural Process Review Reserve	Established to ensure that the technology and other developments required within the Revenues and Benefits Service as a result of full structural process review and any recommendations made resulting from the Customer Services review can be funded.
Street Lighting Reserve	This reserve was established following the reinstatement of all-night street lighting in Harlow and will be applied to future street lighting initiatives.

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 earmarked reserves increased by £1.40m between 2014/15 and 2015/16. This was mainly due to an additional £0.838m being added to the Debt Financing Reserve to meet the costs of the stock condition survey. During the year, three new reserves were set up. These are the Regeneration Reserve, the ER- GF – revenues and Benefits Service Structural Process Review Reserve and the Street Lighting Reserve; the purposes of which are explained in the notes above.

8. OTHER OPERATING EXPENDITURE

	2015/16 £000s	**2014/15** £000s
Payments to the Government Housing Capital Receipts Pool	4,533	2,955
(Gains)/ Losses on the disposal of Non-Current Assets	(1,547)	(3,832)
Total	**2,986**	**(877)**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2015/16 £000s	**2014/15 Restated** £000s	**2014/15** £000s
Interest payable and similar charges	7,156	7,159	7,159
Pensions interest cost and expected return on pensions assets	3,182	3,738	3,738
Interest receivable and similar income	(343)	(236)	(236)
Income and expenditure in relation to investment properties and changes in their fair value	1,161	(492)	(1,942)
Other investment income	(86)	(1,643)	(1,643)
Total	**11,070**	**8,526**	**7,076**

10. TAXATION AND NON-SPECIFIC GRANT INCOME

	2015/16	**2014/15**
	£000s	£000s
Council tax income	6,850	6,387
Retained Business rates	2,933	2,488
Revenue Support Grant	2,149	2,919
Non-ringfenced government grants	1,234	990
Capital grants and contributions	1,274	16,135
Total	**14,440**	**28,919**

11. PROPERTY, PLANT AND EQUIPMENT

Movements in 2015/16

2015/16	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 or Valuation at 1 April 2015	**622,996**	**89,751**	**6,229**	**7,527**	**933**	**2,437**	**1,042**	**730,915**
Additions	18,517	8,741	142	1,284	60		2,128	**30,872**
Donations								**0**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	38,844	20,271				901		**60,016**
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(18,620)	(9,333)			(60)	(228)		**(28,241)**
Derecognition - Disposals		(180)		(14)		(330)		**(524)**
Derecognition - Other								**0**
Assets reclassified (to)/from Held for Sale	(5,231)							**(5,231)**
Other movements in cost or valuation	3,170	(5)	(1)	5			(3,170)	**(1)**
Cost of Valuation at 31 March 2016	**659,676**	**109,245**	**6,370**	**8,802**	**933**	**2,780**	**0**	**787,806**
Accumulated Depreciation and Impairment at 1 April 2015	**0**	**(5,102)**	**(4,128)**	**(1,679)**	**(2)**	**(68)**	**0**	**(10,979)**
Depreciation Charge	(23,414)	(1,518)	(618)	(236)		(51)		**(25,837)**
Depreciation written out to the Revaluation Reserve	23,414	3,497				85		**26,996**
Depreciation written out to the Surplus/(Deficit) on the Provision of Services		126						**126**
Impairment losses/ (reversals) recognised in the Revaluation Reserve								**0**
Impairment losses/(reversals) recognised in the Surplus/(Deficit) on the Provision of Services								**0**
Derecognition - Disposals								**0**
Derecognition - Other								**0**
Other movements in depreciation and impairment						(5)		**(5)**
Accumulated Depreciation and Impairment at 31 March 2016	**0**	**(2,997)**	**(4,746)**	**(1,915)**	**(2)**	**(39)**	**0**	**(9,699)**
At 31 March 2016	659,676	106,248	1,624	6,887	931	2,741	0	**778,107**
At 31 March 2015	622,996	84,649	2,101	5,848	931	2,369	1,042	**719,936**
Variation	**36,680**	**21,599**	**(477)**	**1,039**	**0**	**372**	**(1,042)**	**58,171**

11. PROPERTY, PLANT AND EQUIPMENT CONT.
Comparative Movements 2014/15

2014/15	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 or Valuation at 1 April 2014	**563,923**	**88,296**	**5,984**	**6,998**	**933**	**3,864**	**0**	**669,998**
Additions	22,830	5,494	245	529			1,042	**30,140**
Donations								**0**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	63,354	(23,138)				(690)		**39,526**
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(22,830)	(77)				(14)		**(22,921)**
Derecognition - Disposals	(2,946)	(137)				(420)		**(3,504)**
Derecognition - Other								**0**
Assets reclassified (to)/from Held for Sale	(1,335)							**(1,335)**
Reclassification Investment Property to PPE		18,988				270		**19,258**
Other movements in cost or valuation		325				(573)		**(248)**
Cost of Valuation at 31 March 2015	**622,996**	**89,751**	**6,229**	**7,527**	**933**	**2,437**	**1,042**	**730,915**
Accumulated Depreciation and Impairment at 1 April 2014	**0**	**(2,036)**	**(3,516)**	**(1,458)**	**(2)**	**(18)**	**0**	**(7,030)**
Depreciation Charge	(22,113)	(1,971)	(612)	(221)		(79)		**(24,996)**
Depreciation written out to the Revaluation Reserve	22,113	223				21		**22,357**
Depreciation written out to the Surplus/(Deficit) on the Provision of Services								**0**
Impairment losses/ (reversals) recognised in the Revaluation Reserve		(1,323)						**(1,323)**
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		5				8		**13**
Accumulated Depreciation and Impairment at 31 March 2015	**0**	**(5,102)**	**(4,128)**	**(1,679)**	**(2)**	**(68)**	**0**	**(10,979)**
At 31 March 2015	622,996	84,649	2,101	5,848	931	2,369	1,042	**719,936**
At 31 March 2014	563,923	86,260	2,468	5,540	931	3,846	0	**662,968**
Variation	**59,073**	**(1,611)**	**(367)**	**308**	**0**	**(1,477)**	**1,042**	**56,968**

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 2016 the Council had entered into a number of contracts for enhancement to Property, Plant and Equipment and other assets in 2015/16 and future years, budgeted at £3,231,530. Similar commitments at 31 March 2015 were £4,050,106. The major commitments are:

Scheme	Future Commitment £000s
Housing	3,177
Commercial Properties	2
Town Park	53
Total Capital Commitments	**3,232**

iii. Revaluations

The Council revalued its entire asset portfolio as at 1 April 2015, this being the beginning of a new five year cycle. An assessment of the value was also undertaken as at 31 March 2016. Assets other than council dwellings and garages were valued by Wilks Head and Eve.

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.

<u>Investment Properties</u> - As part of the valuation programme, the categorisation of investment properties was re-evaluated with the vast majority of assets hitherto valued as such transferred to Property, Plant and Equipment. To aid comparison of values,

elsewhere in this Statement are various restated notes providing consistency between 2014/15 and 2015/16. Investment properties will be valued annually.

Other Land and Buildings – All assets have been valued as at 1 April 2015 and will be subject to a rolling review over the following four financial years. (Council garages were valued by Savills.)

Surplus Assets - Surplus assets includes a number of unusable council dwellings.

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 valuation work for the bulk of the Council's property portfolio was carried out by DVS Property Specialists in the autumn of 2015, with additional work undertaken to assess property values as at 31 March 2016. Where changes had occurred, these were reflected within the Balance Sheet as at that date.

Council Dwellings - Housing Beacons were valued by the District Valuer as at 1 April 2015 as part of the valuation process and reviewed as at 31 March 2016. Thirty-six dwellings were pending `Right to Buy' sales at 31 March. These are deemed as `Assets Held for Sale' and valued on the same basis.

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	403,152	75,500	1,443	2,339	482,434
Valued at fair value as at:					
31 March 2016	663,348	106,247	1,624	2,738	773,957
31 March 2015 (restated)	622,996	84,648	2,101	2,368	712,113
31 March 2015	622,996	65,561	2,101	2,098	692,756
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 2014	612	27	853	1,492
Additions	0	20	4	24
as at 31 March 2015	612	47	857	1,516
Cost or valuation:				
as at 1 April 2015	612	47	857	1,516
Additions	0	0	16	16
Revaluations	0	107	0	107
Depreciation	0	0	0	0
as at 31 March 2016	**612**	**154**	**873**	**1,639**

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 due to be reviewed in 2016/17 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 2015/16.

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 £874,100 which includes three paintings (total value £5,050) listed as Civic Gifts. The insurance value of the artworks and sculptures was assessed by Pall Mall Art Advisors in February 2016 and is reviewed every five years to ensure potential material changes can be reflected. These assets are deemed to have an indeterminate life and 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. 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. The Council organises tours of the Gibberd Garden, of the town's sculptures, and the legacy of the local architect. 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 were refurbished in 2014/15 to commemorate the centenary of the First World War. The Sculpture Trail along the River Stort was assembled in 2007/08 and was included in the recent revaluation of Fine Arts at a value of £115,000. 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 many Listed Buildings within the Town, some of which are owned by the Council and used for housing (e.g. Fountains Farm (17th century); the Arkwright family-built Clock House at Puffers Green (1864) and the new town built high rise block of flats at The Lawn (1951); 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.

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 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 a third 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 2015/16.

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 which are mainly on display to the public in the Gibberd Gallery at the Civic Centre.

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 2015/16. 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:

	2015/16 £000s	2014/15 Restated £000s	2014/15 £000s
Rental income from investment property	112	124	1,738
Direct operating expenses arising from investment property			(164)
Net gain/(loss)	**112**	**124**	**1,574**

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:

	2015/16 £000s	2014/15 Restated £000s	2014/15 £000s
Balance at start of the year (1 April)	3,056	21,610	21,610
Additions:			
Purchases	-	46	-
Construction	21	-	366
Subsequent Expenditure	-	-	655
Disposals:			
Net gains/ (losses) from fair value adjustments	(1,287)	46	(572)
Transfers:			
(to)/ from inventories	-	-	-
(to)/ from Property, Plant & Equipment	-	(18,646)	257
Other changes	-	-	-
Balance at end of the year (31 March)	**1,790**	**3,056**	**22,316**

Councils must account for investment property in accordance with IAS 40 Investment Property and should be valued to ‘Fair Value’.

The objective of this measurement approach is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under the current market conditions.

In addition to arriving at the fair values for the assets, IFRS 13 seeks to increase consistency and comparability within the valuation process which has been achieved through a ‘fair value hierarchy’.

The hierarchy categorises the inputs used in to three levels and the fair value category is applied based on whether the valuer has used more observable or unobservable inputs within the valuation.

To outline this hierarchy; the level 1 category is reserved for unadjusted quoted prices in active markets for identical assets.

Level 1: The Council’s valuer, Wilks Head & Eve, is of the view that there are no assets within the portfolio which should be classed at Level 1 in the fair value hierarchy.

Level 2 (significant observable) inputs are quoted prices other than quoted prices in Level 1 that are observable for the asset. Adjustments may be required based on perhaps location and condition.

All investment property (comprising land, office, house, communications mast, depot, public convenience, industrial and retail assets) have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Harlow area. Market conditions for these asset types are such that the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Level 3 (Significant unobservable) inputs comprise unobservable inputs for an asset used to measure fair value in circumstances where market data is not available as there is little, if any, market activity for the asset at the measurement date. The valuer is of the view that there are no assets within the portfolio which should be classed at Level 3 in the fair value hierarchy.

Typical valuation inputs which have been analysed in arriving at our Fair Valuations include:

- market rental and sale values
- yields
- void and letting periods
- size
- configuration, proportions and layout,
- location, visibility and access
- condition
- lease covenants
- obsolescence

The ultimate aim to arrive at the notional ‘Highest and Best use value’ for the asset either as a stand-alone asset or in combination with other assets within the principal market whilst ensuring that any alternative use is physically, legally and financially possible.

This has been achieved, for these purposes, by comparing the ‘current use’ of the asset to the notional ‘alternative use’ based on potential redevelopment on a land value basis for the site.

The fair value of the asset, for the current use, has been determined by applying an income or comparative approach based on the rental value of the property.

In most cases the assets have been leased on the open market and there are a number of comparables to draw in in relation to rental values, yields and rental growth. Although there is an element of valuer subjectivity the valuer is of the view that the valuations comprise a higher proportion of observable inputs rather than unobservable inputs.

The fair value of asset, for the alternative use, has, in most cases, been derived using the sale comparison approach on a land / site basis. In some cases the valuer explored other avenues in arriving at the fair value including conversion of the existing building.

Sale prices of comparable land in applicable uses and similar locations to the subject property are adjusted for differences in key attributes such as land size. End allowances have been included to reflect additional costs which may be appropriate such as demolition and planning.

No formal planning enquires have been made regarding alternative use and assumptions have been made further to discussions with the Council.

This valuation model is based on a price per hectare and end allowances are based on percentages which have been arrived at via observable comparable exercises completed within the locality.

It is important to note that in order to meet the objective of Fair Value measurement, IFRS 13 does not require that exhaustive efforts are undertaken to obtain information about market participant assumptions and expects that all information that is reasonably available to be taken into account.

14. INTANGIBLE ASSETS

The Council accounts for its software as an Intangible Asset, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible Assets includes both purchased licenses and software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are shown below:

	Internally Generated Assets	Other Assets
4 years	None	Orchard Housing IT Development
5 years	None	IT software; Electoral Register Canvass Software; Town Park Vision; Planning and Delivery Grant; Pitch Regeneraton.
10 years	None	None

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

Movement on Intangible Asset Balances	2015/16 Internally Generated Assets £000s	2015/16 Other Assets £000s	2015/16 Total £000s	2014/15 Internally Generated Assets £000s	2014/15 Other Assets £000s	2014/15 Total £000s
Balance at start of year:						
- Gross carrying amounts	0	3,452	3,452	0	2,880	2,880
- Accumulated amortisation	0	(2,191)	(2,191)	0	(1,904)	(1,904)
Net carrying amount at start of year	**0**	**1,261**	**1,261**	**0**	**976**	**976**
Additions:						
- Purchases	0	213	213	0	572	572
Amortisation for the period	0	(373)	(373)	0	(287)	(287)
Other changes	0	(11)	(11)	0	0	0
Net carrying amount at end of year	**0**	**1,090**	**1,090**	**0**	**1,261**	**1,261**
Comprising:						
- Gross carrying amounts	0	3,666	3,666	0	3,452	3,452
- Accumulated amortisation	0	(2,576)	(2,576)	0	(2,191)	(2,191)
	0	**1,090**	**1,090**	**0**	**1,261**	**1,261**

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

	Carrying Amount as at 31 Mar 2016 £000s	Carrying Amount as at 31 Mar 2015 £000s	Remaining Amortisation Period
Civica Transformation Project	99		5 years
Commvault Backups	17		5 years
Agresso 2015-16	27		5 years
AD / Exchange Software	24		5 years
Housing IT 2015/16	32		5 years
Housing IT Development (2014/15)	138	172	4 years
IT Non Hardware 2014/15 (including Accolaid system)	64	82	4 years
Housing IT Development (2013/14)	56	75	3 years
IT Non Hardware 2013/14 (incl Committee Management System)	18	24	3 years
Housing IT Development (2012/13)	58	88	2 years
Housing IT Development (2011/12)		56	
Total	**533**	**497**	

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 Barclays 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,
  - the Local Authorities' Property Fund which is a collective scheme managed by CCLA Investment Management Ltd
  - certificates of deposit.

	Long-term		Current	
	as at 31 Mar 2016	as at 31 Mar 2015	as at 31 Mar 2016	as at 31 Mar 2015
	£000s	£000s	£000s	£000s
Investments				
Loans and receivables			8,712	29,099
Available-for-sale financial assets	1,896		34,666	16,600
Unquoted equity investment at cost				
Financial assets at fair value through profit and loss				
Total Investments	**1,896**	**0**	**43,378**	**45,699**
Debtors				
Loans and receivables	556	596	18	20
Financial assets carried at contract amounts			5,781	6,483
Total included in Debtors	**556**	**596**	**5,799**	**6,503**
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		110		
Total included in Other Long-term Liabilities	**0**	**110**		
Creditors				
Financial liabilities carried at contract amount	403	415	10,195	13,196
Total included in Creditors	**403**	**415**	**10,195**	**13,196**

Investment in Property Fund: Long term investment

The Council invested £2 million during 2015/16 in the CCLA property fund. The units in both of the fund are valued based on the overall valuation of the property funds. The Council is free to divest itself of its investments at any time and would receive a payment based on the number of units held multiplied by the quoted redemption price per unit. These investments are treated as available for sale financial instruments and have therefore been revalued as at 31 March 2016 based on the redemption value as at that date. The change in valuation has then been credited to Other Comprehensive Income and Expenditure. When the Council redeems these investments, the excess over the original investment will be charged to Other Comprehensive Income and Expenditure and credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

As at 31 March 2016, the fair value of the CCLA property fund was £1,896,000. (Assessed at Level 1 hierarchy, Unadjusted quoted prices in active markets for identical shares). The value is lower than the initial investment because of costs incurred in the purchase of property (Stamp Duty and other legal costs). However the value of units has, and is expected to, increase such that it is anticipated that by summer 2016 the fair value will exceed the amount initially invested.

Short term investment

In addition the Council invested in Certificates of Deposit, which are fully liquid. The total amount invested in this product at 31 March 2016 was £18m, with a fair value of £18.042m (again assessed at Level 1 hierarchy, Unadjusted quoted prices in active markets for identical shares). £16m is regarded as a short term investment; the remaining £2m is included within the Cash and Cash Equivalents (note 18).

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Fair Value Hierarchy Levels during the year.

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.

The movements on material soft loans balances are:

Soft Loans	**2015/16**	2014/15
	£000s	£000s
Opening Balance at start of year	56	28
Nominal value of new loans granted in the year	10	55
Fair value adjustment on initial recognition	0	(3)
Loans repaid	(23)	(26)
Impairment losses	0	0
Increase in discounted amount due to passage of time	0	0
Other changes	1	2
Closing Balance at end of year	**44**	**56**
Nominal (cash) Value at 31 March	**45**	**59**

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		2015/16 Total	2014/15 Total
	Amortised Cost	Loans & Receivables	Available-for-Sale Assets		
	£000s	£000s	£000s	£000s	£000s
Interest expense	7,156	0	0	7,156	7,159
Losses on de-recognition					
Reductions in fair value					
Impairment losses					
Fees paid					
Total interest payable and similar charges	**7,156**	**0**	**0**	**7,156**	**7,159**
Interest income	0	(392)	104	(288)	(236)
Interest accrued on impaired investments					
Dividend income					
Increases in fair value					
Gains on de-recognition					
Fee income					
Total income in Surplus or Deficit on the Provision of Services	**0**	**(392)**	**104**	**(288)**	**(236)**
Gains on revaluation					
Losses on revaluation					
Amounts recycled to the surplus/ deficit on the provision of services					
Impact of revaluation in Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**
Net (gain)/ loss for the year	**7,156**	**(392)**	**104**	**6,868**	**6,923**

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 2016, 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 2016 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 2015/16.);

- 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:

Fair Values of Financial Assets and Financial Liabilities	as at 31 March 2016		as at 31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000s	£000s	£000s	£000s
Financial Liabilities				
Loans Borrowed	211,837	256,842	211,837	256,502
Finance Leases			110	110
Trade payables	10,794	10,794	13,610	13,610
Total Liabilities	**222,631**	**267,636**	**225,557**	**270,222**
Financial Assets				
Investment Balances	44,643	44,685	44,900	44,900
Loans for Service Purposes	573	574	616	619
Trade Receivables	5,781	5,781	6,483	6,483
Total Assets	**50,997**	**51,040**	**51,999**	**52,002**

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.

16. INVENTORIES

Consumables Stores	2015/16 £000s	2014/15 £000s
Balance Outstanding at Start of Year (1 April)	29	32
Purchases	287	290
Recognised as an expense in the year	(290)	(293)
Written-off balances	0	0
Reversals of write-offs in previous years	0	0
Balance Outstanding at End of Year (31 March)	**26**	**29**

17. DEBTORS

The table below shows the amount that was owed to the Council at 31 March 2016 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

	Balance as at 31 March 2016 £000s	Balance as at 31 March 2015 £000s
Central government bodies	1,707	4,251
Other local authorities	294	881
Other entities and individuals	6,982	6,546
Total	**8,983**	**11,678**

18. CASH AND CASH EQUIVALENTS

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

	Balance as at 31 March 2016 £000s	Balance as at 31 March 2015 £000s
Cash held by the authority	12	8
Bank current accounts	701	752
Short-term deposits with financial institutions	26,582	35,927
Total	**27,295**	**36,687**

19. ASSETS HELD FOR SALE

	Current	
	2015/16	**2014/15**
	£000s	£000s
Balance outstanding at start of year	1,335	2,351
Assets newly classified as held for sale:		
- Property, Plant and Equipment	5,503	4,398
Revaluation losses		(65)
Revaluation gains	201	
Assets sold	(4,657)	(5,349)
Balance Outstanding at Year-end	**2,382**	**1,335**

20. CREDITORS

The table below shows the amount that the Council owed as at 31 March 2016 to third parties, together with amounts received by the Council in advance of supply of goods or services.

	Balance as at 31 March 2016	**Balance as at 31 March 2015**
	£000s	£000s
Central government bodies	2,162	2,574
Other local authorities	521	504
Other entities and individuals	18,912	15,816
Total	**21,595**	**18,894**

21. PROVISIONS

The total values for Provisions held at 31 March 2016 are shown in the table below.

Long-Term Provisions	Outstanding Legal Cases	Injury and Damage Compensation Claims	Other Provisions	Total
	£000s	£000s	£000s	£000s
Balance as at 31 March 2014	**0**	**0**	**140**	**140**
Additional provisions made in 2014/15	-	0	0	0
Amounts used in 2014/15	-	0	0	0
Unused amounts reversed in 2014/15	-	0	(71)	(71)
Balance as at 31 March 2015	**0**	**0**	**69**	**69**
Additional provisions made in 2015/16	-	0	0	0
Amounts used in 2015/16	-	0	0	0
Unused amounts reversed in 2015/16	-	0	(69)	(69)
Balance as at 31 March 2016	**0**	**0**	**0**	**0**

Short-Term Provisions	Long-Term Provisions	Injury and Damage Compensation Claims	Other Provisions	Total
	£000s	£000s	£000s	£000s
Balance as at 31 March 2014	**0**	**150**	**1,728**	**1,878**
Additional provisions made in 2014/15	-	0	1,786	1,786
Amounts used in 2014/15	-	(37)	(623)	(660)
Unused amounts reversed in 2014/15	-	(113)	0	(113)
Balance as at 31 March 2015	**0**	**0**	**2,891**	**2,891**
Additional provisions made in 2015/16	-	23	164	187
Amounts used in 2015/16	-	0	(698)	(698)
Unused amounts reversed in 2015/16	-	0	(64)	(64)
Balance as at 31 March 2016	**0**	**23**	**2,293**	**2,316**

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:

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 review of the potential liabilities of the Fund has been conducted and, as a result, a provision of £5.195m (£7.040m in 2014/15). Of this, 40%

(£2.078m in 2015/16, and £2.816m in 2014/15) will be directly attributable to Harlow Council Business Rate appeals. The appeals information was assessed by a firm of professional surveyors, recognising both the value of claims and the likelihood of success of appeals.

Claims for Damages

The Council has one outstanding liability in respect of asbestos related claims at the balance sheet date. One provision was settled and the other was reversed unused.

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 2016 total £41,390,000 (£49,851,000 as at 31 March 2015) and are listed in the table below:

Usable Reserves	**2015/16**	**2014/15**
	£000s	£000s
General Fund Balance	3,888	4,376
HRA Balance	12,298	10,870
Earmarked Reserves (detailed in Note 7):		
General Fund	12,519	11,003
HRA	4,342	4,177
Earmarked Grants Reserves	1,033	2,184
Capital Grants Unapplied	5,155	13,916
Capital Receipts Reserve	2,155	3,325
Major Repairs Reserve	0	0
Total Usable Reserves at end of the year (31 March)	**41,390**	**49,851**

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 Local Government and 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 Council 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 2016	Restated Balance as at 31 March 2015	Balance as at 31 March 2015
	£000s	£000s	£000s
Revaluation Reserve	308,281	232,651	232,306
Available for Sale Financial Instruments Reserve	(61)	0	0
Capital Adjustment Account	251,024	268,216	268,462
Financial Instruments Adjustment Account	(3)	(2)	(2)
Deferred Capital Receipts Reserve	786	862	862
Pensions Reserve	(94,184)	(99,893)	(99,893)
Collection Fund Adjustment Account	1,399	(1,576)	(1,576)
Accumulated Absences Account	(37)	(50)	(50)
Total Unusable Reserves	**467,205**	**400,208**	**400,109**

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	2015/16		2014/15 Restated		2014/15	
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April		**232,651**		**182,278**		**182,278**
Upward revaluation of assets	93,946		86,738		86,393	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,802)		(25,032)		(25,032)	
		90,144		61,706		61,361
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(2,797)		(1,323)		(1,323)	
Difference between fair value depreciation and historical cost depreciation	(11,338)		(9,128)		(9,128)	
Accumulated gains on assets sold or scrapped	(379)		(882)		(882)	
Amount written off to the Capital Adjustment Account		(14,514)		(11,333)		(11,333)
Balance as at 31 March		**308,281**		**232,651**		**232,306**

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.

NOTES TO THE ACCOUNTS

Capital Adjustment Account	2015/16		2014/15 Restated		2014/15	
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April		**268,216**		**280,977**		**280,977**
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	(52,439)		(50,332)		(50,086)	
- Revaluation losses on Property, Plant and Equipment	(6,724)		340		340	
- Amortisation of intangible assets	(377)		(248)		(248)	
- Revenue expenditure funded from capital under statute	(653)		(536)		(536)	
- 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	(5,178)		(5,787)		(5,787)	
		(65,371)		(56,563)		(56,317)
Adjusting amounts written out of the Revaluation Reserve		14,514		11,333		11,333
Net written out amount of the cost of non-current assets consumed in the year		(50,857)		(45,230)		(44,984)
Capital financing applied in the year:						
- Use of the Capital Receipts Reserve to finance new capital expenditure	3,468		6,147		6,147	
- Use of the Major Repairs Reserve to finance new capital expenditure	11,197		13,421		13,421	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	383		290		290	
- Application of grants to capital financing from the Capital Grants Unapplied Account	10,035		9,161		9,161	
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	540		503		503	
- Capital expenditure charged against the General Fund and HRA balances	6,756		2,592		2,592	
		32,379		32,115		32,115
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,287		354		354
Balance as at 31 March		**251,024**		**268,216**		**268,462**

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 2015/16 for £109,000 (2014/15: £99,000). 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	**2015/16** £000s	**2014/15** £000s
Balance at 1 April	**(99,893)**	**(86,789)**
Actuarial gains/(losses) on pensions assets and liabilities	6,487	(12,342)
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	(5,789)	(5,804)
Employer's pensions contributions and direct payments to pensioners payable in the year	5,011	5,042
Balance as at 31 March	**(94,184)**	**(99,893)**

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	2015/16 £000s	2014/15 £000s
Balance at 1 April amended post closure	**862**	**986**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(76)	191
Transfer to the Capital Receipts Reserve upon receipt of cash	0	(315)
Balance as at 31 March	**786**	**862**

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.

Collection Fund Adjustment Account	2015/16 £000s	2014/15 £000s
Balance at 1 April	**(1,576)**	**(2,496)**
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	**2,975**	**920**
Balance as at 31 March	**1,399**	**(1,576)**

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.

	2015/16		2014/15
	£000s	£000s	£000s
Balance at 1 April		**(50)**	**(56)**
Settlement or cancellation of accrual made at the end of the preceding year	50		56
Amounts accrued at the end of the current year	(37)		(50)
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		13	6
Balance as at 31 March		**(37)**	**(50)**

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.

h. Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve absorbs the unrealised gains and losses on Financial Instruments available for such as Property Funds and Certificates of Deposit.

24. OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2015/16	2014/15
	£000s	£000s
Interest Received	(343)	(235)
Interest Paid	7,156	7,159
Dividends Received	(86)	(1,627)
Net Cash Flows from Operating Activities	**6,727**	**5,297**

25. INVESTING ACTIVITIES

	2015/16 £000s	2014/15 £000s
Purchase of property, plant and equipment, investment property and intangible assets	30,882	36,290
Purchase of short-term and long-term investments	8,965	6,011
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,965)	(9,997)
Other receipts from investing activities	(1,359)	(11,909)
Net Cash Flows from Investing Activities	**31,523**	**20,395**

26. FINANCING ACTIVITIES

	2015/16 £000s	2014/15 £000s
Other receipts from financing activities	2,975	921
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	431	489
Other payments for financing activities	(7,088)	(1,790)
Net Cash Flows from Financing Activities	**(3,681)**	**(380)**

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.

NOTES TO THE ACCOUNTS

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

Table 1 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. This analyses the income and expenditure that make up the net Cost of Services as shown in the Council's Comprehensive Income and Expenditure Statement.

2015/16	General Fund							HRA	
Segments	**Corporate**	**Chief Executive**	**Finance**	**Community Wellbeing**	**Place**	**Housing (GF)**	**Governance**	**HRA**	**Total all Funds**
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Expenditure									
Employees	0	259	3,032	1,888	2,720	1,174	471	4,568	14,112
Premises-Related Expenditure	0	0	86	358	3,640	180	1	13,160	17,423
Transport-Related Expenditure	0	0	1	38	30	9	1	11	91
Supplies and Services	0	17	116	2,081	3,670	1,025	194	1,533	8,637
Third Party Payments	0	0	0	0	92	0	0	0	92
Transfer Payments	0	0	37,000	0	0	76	0	0	37,076
Support Services	0	108	3,760	991	2,278	462	602	4,640	12,841
Capital Financing Costs & Charges	0	0	21	2,123	9,014	152	0	45,312	56,622
Transfers to Reserves	0	0	0	0	0	0	0	(95)	(95)
Total expenditure	0	384	44,016	7,480	21,444	3,077	1,269	69,129	146,799
Income									
Income from Fees, Sales & Rent	0	0	(365)	(1,899)	(8,104)	(264)	(239)	(49,925)	(60,795)
Income - Recharges	0	(382)	(2,477)	(399)	(872)	(1,003)	(304)	(1,288)	(6,725)
Income - Grants & Contributions	0	0	(38,298)	(196)	(1,534)	(405)	(93)	(65)	(40,593)
Total income	0	(382)	(41,140)	(2,494)	(10,511)	(1,672)	(636)	(51,278)	(108,113)
Net Cost of Services	**0**	**2**	**2,876**	**4,986**	**10,933**	**1,405**	**633**	**17,851**	**38,686**
TOTAL GENERAL FUND							**20,835**		

Table 2 overleaf, analyses the corporate adjustments that are then made to the net Cost of Services line. These comprise notes 8, 9 and 10 to the statement of accounts, and produce the surplus or deficit on the provision of services, as required by the Accounting Code of Practice.

2015/16	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges and other service income	(60,795)		(60,795)
Interest and investment income		(445)	(445)
Income from council tax and business rates		(9,783)	(9,783)
Government grants and contributions	(40,593)	(4,656)	(45,249)
pension interest		4,469	4,469
Total income	(101,388)	(10,415)	(111,803)
Employee expenses (grossed for pensions)	14,112		14,112
Other service expenses	56,499		56,499
Support service recharges	12,841		12,841
Depreciation, amortisation and impairment	56,622		56,622
Interest payments		7,045	7,045
Payments to Housing Capital Receipts Pool		4,533	4,533
Gain or Loss on Disposal of Non-current Assets		(1,547)	(1,547)
Total expenditure	140,073	10,031	150,104
Surplus or deficit on the provision of services	38,686	(384)	38,302

2014/15 Comparative Figures

Table 1 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. This analyses the income and expenditure that make up the net Cost of Services as shown in the Council’s Comprehensive Income and Expenditure Statement.

Presentation of the prior year comparators have been amended to ensure comparability with the current year.

2014/15 Comparative Figures	General Fund							HRA	
Segments	Corporate	Chief Executive	Finance	Community Wellbeing	Regeneration & Enterprise Restated	Housing (GF)	Governance	HRA	Total all Funds Restated
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Expenditure									
Employees	0	275	3,164	1,818	2,484	1,109	428	4,445	13,724
Premises-Related Expenditure	0	0	(28)	341	3,467	167	1	13,136	17,085
Transport-Related Expenditure	0	0	1	39	29	9	1	12	92
Supplies and Services	0	22	159	2,091	3,415	789	124	882	7,481
Third Party Payments	0	0	0	0	140	0	0	0	141
Transfer Payments	49	0	38,113	26	0	78	0	0	38,266
Support Services	0	105	1,913	1,072	2,233	407	586	4,455	10,772
Capital Financing Costs & Charges	0	0	13	805	3,463	19	0	46,667	50,967
Transfers to Reserves	0	0	0	0	0	0	0	(101)	(101)
Total expenditure	49	402	43,336	6,193	15,232	2,577	1,139	69,497	138,426
Income									
Income from Fees, Sales & Rent	0	(0)	(398)	(1,826)	(7,751)	(441)	(144)	(51,059)	(61,619)
Income - Recharges	0	(383)	(677)	(189)	726	(583)	(365)	(956)	(2,427)
Income - Grants & Contributions	0	0	(41,333)	(395)	(2,177)	(744)	(79)	0	(44,727)
Total income	0	(383)	(42,408)	(2,410)	(9,202)	(1,768)	(588)	(52,015)	(108,773)
Net Cost of Services	**49**	**19**	**929**	**3,783**	**6,029**	**810**	**552**	**17,483**	**29,653**
TOTAL GENERAL FUND							**12,171**		

Table 2 overleaf, analyses the corporate adjustments that are then made to the net Cost of Services line. These comprise notes 8, 9 and 10 to the statement of accounts, and produce the surplus or deficit on the provision of services, as required by the Accounting Code of Practice.

2014/15	Cost of Services Restated £000s	Corporate Amounts Restated £000s	Total Restated £000s
Fees, charges and other service income	(61,619)		(61,619)
Interest and investment income		(2,177)	(2,177)
Income from council tax and business rates		(9,775)	(9,775)
Government grants and contributions	(44,727)	(19,338)	(64,065)
Pension adjustments		3,738	3,738
Total income	(106,346)	(27,552)	(133,898)
Employee expenses (grossed for pensions)	13,724		13,724
Other service expenses	60,537		60,537
Support service recharges	10,772		10,772
Depreciation, amortisation and impairment	50,967		50,967
Other accounting adjustments			0
REFCUS	0		0
Interest payments		7,159	7,159
Payments to Housing Capital Receipts Pool		2,955	2,955
Gain or Loss on Disposal of Non-current Assets		(3,832)	(3,832)
Total expenditure	135,999	6,282	142,281
Surplus or deficit on the provision of services	29,653	(21,270)	8,383

28. ACQUIRED AND DISCONTINUED OPERATIONS

The Council has neither acquired nor discontinued any material operations during the financial year 2015/16.

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 have been issued but not yet adopted.

Paragraph 3.3.2.13 of the 2015/16 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards introduced or amended in the 2016/17 Code are applicable from 1 April 2016 and will be applied in the Council's 2016/17 Statement of Accounts as follows:

IAS 19 Employee Benefits amendments

The amendment includes confirmation of the new disclosure requirements for retirement benefit plan investments measured at fair value and recommendations for a new disclosure on investment management transaction costs.
This amendment is not expected to have a material impact in Harlow's accounts.

Annual Improvements to IFRSs 2010–2012 Cycle

The 2016/17 Code includes minor consequential amendments to the definitions section to reflect the amendments in the Annual Improvements to IFRSs 2010–2012 Cycle relating to accounting for the following:

Amended Standard	Title	Description of Change and Comments
IFRS 3 Business Combinations	Accounting for contingent consideration in a business combination	It is contingent consideration of an acquirer in a business combination to which IFRS 3 Business Combinations applies" to the conditions for a financial asset or financial liability at fair value through profit or loss. Harlow Council have not acquired a business and therefore will not apply
IFRS 8 Operating Segments	Aggregation of operating segments	This is a narrow scope amendment to require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. Harlow Council does not aggregate segments.
IFRS 8 Operating Segments	Reconciliation of the total of the reportable segments' assets to the entity's assets	This will require an additional disclosure for Harlow Council.
IFRS 13 Fair Value Measurement	Short-term receivables and payables	Applicable to Harlow Council but unlikely to be a significant transaction.

IAS 16 Property, Plant and Equipment	Revaluation method—proportionate restatement of accumulated depreciation	This amendment clarifies the treatment as it is the IASB's view that the restatement of the accumulated depreciation is not always proportionate to the change in the gross carrying amount. The amendment sets out that the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. Harlow Council does not use the proportionate method, and therefore it will not have any effect.
IAS 24 Related Party Disclosures	Key management personnel	The amendment clarifies that a management entity that provides key management services to a reporting entity is deemed to be a related party of the reporting entity. This may require disclosure if any such related parties exist.
IAS 38 Intangible Assets	Revaluation method—proportionate restatement of accumulated amortisation	Harlow Council do not carry intangible assets at fair value, and therefore the amendment will have no effect

The 2016/17 Code includes minor consequential amendments to the definitions section to reflect the amendments in the Annual Improvements to IFRSs 2012–2014 Cycle

Amended Standard	Title	Description of Change and Comments
IFRS 7 Financial Instruments: Disclosures	Servicing contracts.	An authority shall provide the required disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset (this may include financial assets that are derecognised in their entirety but in which an authority has continuing involvement) existing at the reporting date. Harlow Council has no transferred financial assets so the amendment will not apply

Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)

The 2016/17 Code includes the amendment to IFRS 11 Joint Arrangements – Accounting for the Acquisitions of Interests in Joint Operations.
The 2016/17 Code includes an interpretation of IAS 27 where the option to equity account for investments in subsidiaries, associated or joint ventures is withdrawn as follows:
Where an authority has investments in subsidiaries, associates or interests in joint ventures the option to equity account in the separate financial statements (known as single entity financial statements in the Code) is withdrawn.

The application of the amendments to the code will be 1 April 2016, is expected to have a material effect, and Harlow Council is intending to prepare Group Accounts in 2016/17. Group Accounts would be deemed necessary in 2016-17 anyway due to the creation of a fully owned Company to provide maintenance and building services for the Council.

Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)

The application of the amendments to the code will be 1 April 2016, and are not expected to have a material effect.

Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative) including The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

The new reporting formats and requirements for the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Expenditure and Funding Analysis shall be reported retrospectively from 1 April 2016. These new requirements require full retrospective restatement in accordance with section 3.3, paragraph 3.4.2.31 and IAS 1.

The application of the amendments to the code will be effective from 1 April 2016, and are expected to show more clearly the information included related to the Council's activity.

30. MEMBERS' ALLOWANCES

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

	2015/16 £000s	2014/15 £000s
Allowances	177	177
Expenses	4	5
Total	181	**182**

31. OFFICERS' REMUNERATION

Senior Employees

The remuneration paid to the Council's senior employees in 2015/16, including comparatives for 2014/15, was as follows:

Senior Employees Post Title	Salary (Including fees & Allowances)	Total Remuneration excluding pension contributions 2015/16	Pension contributions	Total Remuneration including pension contributions 2015/16
2015/16	£	£	£	£
Chief Operating Officer	105,705	105,705	15,433	121,138
Chief Executive	98,895	98,895	0	98,895
Project Director (Enterprise Zone)	89,996	89,996	13,139	103,135
Head of Finance	81,984	81,984	11,969	93,953
Head Of Housing	78,484	78,484	11,459	89,943
Head of Place	78,484	78,484	11,459	89,943
Head of Community and Wellbeing	68,020	68,020	9,931	77,951
Head of Governance	64,531	64,531	0	64,531
	666,099	666,099	73,390	739,489

Senior Employees - comparatives Post Title	Salary (Including fees & Allowances)	Total Remuneration excluding pension contributions 2014/15	Pension contributions	Total Remuneration including pension contributions 2014/15
2014/15	£	£	£	£
Chief Executive	107,809	107,809	4,338	112,147
Chief Operating Officer	105,705	105,705	15,433	121,138
Project Director (Enterprise Zone)	88,078	88,078	12,859	100,937
Head of Finance	80,717	80,717	11,785	92,502
Head Of Housing	77,217	77,217	11,274	88,491
Head of Place	77,217	77,217	11,274	88,491
Head of Governance	62,949	62,949	0	62,949
Head of Community and Wellbeing	13,817	13,817	2,031	15,848
	613,509	613,509	68,994	682,503

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 2015/16 Total	2015/16 Left During Year	2014/15 Total	2014/15 Left During Year
£50,000	–	£54,999	12	0	9	0
£55,000	–	£59,999	1	0	0	0
£60,000	–	£64,999	1	0	1	0
£65,000	–	£69,999	1	0	0	0
£70,000	–	£74,999	0	0	0	0
£75,000	–	£79,999	2	0	2	0
£80,000	–	£84,999	1	0	1	0
£85,000	–	£89,999	1	0	1	0
£90,000	–	£94,999	0	0	0	0
£95,000	–	£99,999	1	0	0	0
£100,000	–	£104,999	0	0	0	0
£105,000	–	£109,999	1	0	2	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	0	0	0	0

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

[a] Exit package cost band (including special payments)	[b] Number of Compulsory Redundancies		[c] Number of Other Departures Agreed		[d] Total Number of Exit Packages by Cost Band ([b] + [c])		[e] Total Cost of Exit Packages in Each Band	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
£0 - £20,000	2	0	2	4	4	4	£20,344	£23,968
Total	2	0	2	4	4	4	£20,344	£23,968

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 four employees in 2015/16, incurring liabilities of £20,344 (£23,968 in 2014/15) – 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:

	2015/16 £000s	**2014/15** £000s
Fees payable for external audit services carried out by the appointed auditor for the year.	78	102
Fees payable/(refunds) for external audit services carried out by the appointed auditor for previous years	0	(11)
Fees payable to external audit in relation to current year grant claims.	22	29
Fees payable to external audit in relation to prior year grant claims.	3	7
Total	**103**	**127**

34. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16 (see overleaf):

	2015/16 £000s	2014/15 £000s
Grants Credited to Taxation and Non-specific Grant Income		
National Non-Domestic Rates	2,933	3,514
Revenue Support Grant	2,148	1,894
Council Tax Freeze Grant	0	179
Council Tax Discount Grant	0	2
Community Rights to Challenge New Burdens Grant	27	9
Community Rights to Buy Grant	0	8
Efficiency & Transformation Grant	0	10
New Homes Bonus Grant	991	713
ECC Second Homes Discount Grant	216	68
Other Income	0	1,769
Capital Grants	1,274	16,135
Total	**7,589**	**24,301**
Grants Credited to Services		
Rent Allowances	15,491	16,201
Rent Rebates	21,562	22,375
LA Data Share	19	0
LAIT	2	0
Fraud & Error Reduction Incentive Scheme	22	0
Housing Benefit Administration	564	554
Localising Council Tax administration	132	188
Council Tax Benefit New Burdens	36	70
Smoke and CO Alarms	1	0
Transparency	8	8
Community Rights to Challenge New Burdens Grant	71	0
Business Rates	235	37
Individual Electroral Registration	23	59
Homelessness	0	166
Right to Move	49	0
Lettings Agents Transparency and Redress Scheme	1	0
Food waste collection	162	161
Growth Area Funding / Programme of Development	104	159
Large Sites Infrastructure Programme	100	100
Council Tax Benefits Localisation	0	148
Total	**38,582**	**40,226**

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

Long-term Liabilities:

	2015/16 £000s	2014/15 £000s
Grants Receipts in Advance (Capital Grants)		
Programme of Development - external partners	833	858
Total	**833**	**858**

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 2016 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 2015/16 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 2015/16 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 2016 £000s	Creditors Outstanding as at 31 Mar 2016 £000s
Essex County Council	(2,120)	(58)	479	(11)
Essex Police Authority	(48)		(3)	(3)
Essex Fire Authority	(14)	5		
Harlow Occupational Health Service		22		(5)
Harlow Sports Trust (Incl Leisurezone)	(60)	310	14	(15)
Kier Harlow	(160)	23,325	193	(1,077)
Streets 2 Homes		19		
Veolia Board		3,293	19	(7)
	(2,402)	26,916	702	(1,118)

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.

	2015/16 £000s	2014/15 £000s
Opening Capital Financing Requirement	**226,420**	**226,227**
Capital Investment		
Property Plant and Equipment	30,872	30,140
Heritage Assets	16	24
Investment Properties	0	1,021
Intangible Assets	213	572
Revenue Expenditure funded from Capital under Statute	1,686	886
Total Capital Investment	32,787	32,643
Sources of Finance		
Capital Receipts	(3,468)	(6,147)
Major Repairs Reserve	(11,105)	(13,421)
Government Grants and Other Contributions	(10,444)	(9,787)
Sums Set Aside from Revenue	0	0
Direct Revenue Contributions	(6,756)	(2,592)
MRP/ Loans Fund Principal	(540)	(503)
Total Sources of Finance	(32,313)	(32,450)
Closing Capital Financing Requirement	**226,894**	**226,420**
Explanation of Movements in Year		
Increase/ (Decrease) in underlying need to borrow (supported by government financial assistance)	0	0
Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	906	597
Assets acquired under finance leases	(432)	(404)
Increase/(decrease) in Capital Financing Requirement	**474**	**193**

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 2016 £000s	31 March 2015 £000s
Other Land and Buildings	0	0
Vehicles, Plant, Furniture and Equipment	358	715
	358	**715**

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 2016 £000s	31 March 2015 £000s
Finance lease liabilities (net present value of minimum lease payments):		
- current	110	432
- non-current	0	110
Finance costs payable in future years	7	44
Minimum Lease Payments	**117**	**586**

The minimum lease payments are payable over the following periods:

	Minimum Lease Payments		Finance Lease Payments	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£000s	£000s	£000s	£000s
Not later than one year	7	469	110	432
Later than one year and not later than five years	0	117	0	110
Later than five years	0	0	0	0
	7	**586**	**110**	**542**

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 2015/16 £58,703 contingent rents were payable by the Council (2014/15 £52,399).

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 2016	31 March 2015
	£000s	£000s
Not later than one year	42	48
Later than one year and not later than five years	35	76
Later than five years	0	0
	77	**124**

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 2016	31 March 2015
	£000s	£000s
Not later than one year	50	51
Later than one year and not later than five years	108	158
Later than five years	13	13
	171	**222**

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 2016 £000s	31/03/2015 £000s
Minimum lease payments	286	86
Contingent rents	5	5
Sublease payments receivable	(103)	(103)
	188	**(11)**

The total of future minimum sublease payments expected to be received under non-cancellable subleases as at 31 March 2016 were £2.614million.

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 75 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 2016 £000s	31 March 2015 £000s
Finance lease debtor (net present value of minimum lease payments):		
- current	0	0
- non-current	305	306
Unearned finance income	0	0
Unguaranteed residual value of property	0	0
Gross investment in the lease	**305**	**306**

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 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £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	303	304	303	304
	305	**306**	**305**	**306**

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 (2014/15 £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 2015/16 £0 contingent rents were receivable by the Council (2014/15 £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 2016 £000s	31 March 2015 £000s	31 March 2014 £000s
Not later than one year	795	811	779
Later than one year and not later than five years	2,522	2,670	2,383
Later than five years	4,611	4,997	4,243
	7,928	**8,478**	**7,405**

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 2015/16.

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

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	
	2015/16 £000s	**2014/15** £000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• Current Service Cost	2,607	2,066
• Administration expenses	64	54
• Interest Cost	3,118	3,684
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,789	5,804
Return on Plan Assets (excluding amount included in the net interest expense)	(1,033)	11,672
Changes in financial assumptions	7,304	(24,008)
Experience loss/(gain) on defined benefit obligation	216	(6)
Total Post-employment Benefit gains/(losses) Charged to the Comprehensive Income and Expenditure Statement	**6,487**	**(12,342)**
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	5,789	5,804
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	5,011	5,042

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement in the "actuarial gains or losses line as at 31 March 2016 was a loss of £35,424,000 (as at 31 March 2015 it was a loss of £41,911,000) due to an actuarial gain during 2015/16 of £6,487,000.

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	
	2015/16	2014/15
	£000s	£000s
Present Value of Funded Obligation	216,551	220,704
Fair Value of Scheme assets (bid value)	132,602	131,866
Net Liability	83,949	88,838
Present Value of Unfunded Obligation	10,235	11,055
Net Liability in Balance Sheet	**94,184**	**99,893**

The funded liabilities have decreased by £4.2m, while funded assets have increased by £0.7m to reveal a net decrease of £4.9m.

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

	Local Government Pension Scheme		
	2015/16	2014/15	
	£000s	£000s	£000s
Opening balance at 1 April	**131,866**	**117,845**	**0**
Expected return on scheme assets	0	**0**	0
Interest income	4,182	**5,151**	0
Return on plan assets less interest	(1,033)	**11,672**	0
Other actuarial gains/(losses)	0	**0**	0
Total actuarial gains/(losses)	0	**0**	0
Administration expenses	(64)	**(54)**	0
Employers contributions	5,011	**5,042**	0
Contributions from employees into the scheme	651	**623**	0
Benefits paid	(8,011)	**(8,413)**	0
Settlements	0	**0**	0
Closing balance at 31 March	**132,602**	**131,866**	**0**

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

	Local Government Pension Scheme			
	2015/16		2014/15	
		£000s		£000s
Members Assumption. Proportion of Assets Held:				
Equities	68.0%	89,746	67.0%	88,707
Gilts	3.0%	3,909	4.0%	5,794
Other Bonds	5.0%	6,365	10.0%	12,621
Property	12.0%	15,791	11.0%	14,323
Cash/ Liquidity	3.0%	4,308	2.0%	2,891
Alternative Assets	4.0%	5,896	6.0%	7,530
Other Managed Funds	5.0%	6,587		
Total	100.0%	132,602	100.0%	131,866

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	
	2015/16	**2014/15**
	£000s	£000s
Opening balance at 1 April	**231,759**	**204,634**
Current service cost	2,607	2,066
Interest cost	7,300	8,835
Contribution by Scheme Participants	651	623
Remeasurement (gains)/losses	0	0
Actuarial gains and losses from demographic	0	0
Actuarial gains from changes in financial assumptions	(7,304)	24,008
Experience loss/(gain) on defined benefit obligation	(216)	6
Total actuarial losses/(gains)	0	0
Losses/(gains) on curtailments	0	0
Benefits Paid	(7,255)	(7,640)
Past Service Cost including curtailments	0	0
Unfunded pension payments	(756)	(773)
Curtailments	0	0
Closing balance at 31 March	**226,786**	**231,759**

	2011/12 £000s	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s
Present Value of Defined Benefit					
Local Government Pension Scheme	176,222	200,661	193,941	220,704	216,551
Discretionary Benefits	11,320	11,650	10,693	11,055	10,235
Fair value of assets in the Local Government Pension Scheme	(101,079)	(113,416)	(117,845)	(131,866)	(132,602)
	86,463	98,895	86,789	99,893	94,184
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(75,143)	(87,245)	(76,096)	(88,838)	(83,949)
Discretionary Benefits	(11,320)	(11,650)	(10,693)	(11,055)	(10,235)
Total	**(86,463)**	**(98,895)**	**(86,789)**	**(99,893)**	**(94,184)**

Scheme History

The scheme deficit has fluctuated over the five year period and now rests at £94.184million.

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 £226,786,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £94,184,000. 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 2017 is £4,269,000. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2017 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	
	2015/16	**2014/15**
Life expectancy from age 65 (years):		
Retiring today:		
- Men	22.9	22.8
- Women	25.3	25.2
Retiring in 20 years:		
- Men	25.2	25.1
- Women	27.7	27.6
Rates of Inflation:		
RPI	3.2%	3.1%
CPI	2.3%	2.2%
Rate of increase in salaries	4.1%	4.0%
Rate of increase in pensions	2.3%	2.2%
Rate for discounting scheme liabilities	3.5%	3.2%
Take-up of option to convert annual pension into retirement lump sum	60.0%	60.0%

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, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

	£000s	£000s	£000s
Adjustment to discount rate	0.1%	0.0%	-0.1%
Present Value of Total Obligation	223,112	226,786	230,524
Projected Service Cost	2,441	2,496	2,552
Adjustment to long term salary increase	0.1%	0.0%	-0.1%
Present Value of Total Obligation	226,967	226,786	226,605
Projected Service Cost	2,497	2,496	2,495
Adjustment to pension increases and deferred revaluation	0.1%	0.0%	-0.1%
Present Value of Total Obligation	230,383	226,786	223,246
Projected Service Cost	2,551	2,496	2,442
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	234,033	226,786	219,769
Projected Service Cost	2,560	2,496	2,434

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 2016 was £2,901,518 (£2,590,000 at 31 March 2015). 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. In 2013/2014 it was determined that two provisions were required for ongoing claims. After settlement of claims during 2014/2015, the two provisions are no longer required and the balance has been returned to the reserve. As at 31 March 2016 the combined balance of the reserves was £1,149,000 after annual contributions which 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 (which have been an amount equal to 15% of future claims settled up until 2014/15). In 2015/16 the Council was notified that this cost would increase from 15% to 25% of any future costs; however the value and timing of those costs that may be passed to Harlow Council remain uncertain. The recommendation of the Council's Actuary is that the Council continues to build its provision for clawback towards a level that covers 75% of both these historical claims and future (Incurred But Not Reported – IBNR) claims. The Council continues to keep the matter under close review.

Guarantees

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

Environmental Information Regulations

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of this claim. At present it is not possible to put a final value on these potential liabilities and so the Council has instead recognised a contingent liability.

Contract Dispute

A prospective challenge currently exists relating to a contract dispute aligned with capital regeneration forming part of Planning Services, which may give rise to costs depending on the outcomes. It is not practical to estimate the financial effect, timing or findings relating to these issues as they are too remote at this stage.

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 2016, 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 2015/16), which incorporates the prudential indicators, was approved by Council on 5 February 2015 and is available on the Council's 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 2015/16 set this limit at £260 million.
- The Operational Boundary - this is the expected level of debt and other long-term liabilities during the year. The TMSS for 2015/16 established this boundary at £252.5 million.

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 2015/16, which was approved by Full Council on 5 February 2015, 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 2016 that this was likely to arise.

The Council does not generally allow credit for its customers. As at 31 March 2016, £13.257 million of total council short-term debtors is overdue for payment, as analysed in the table below.

	31 March 2016	31 March 2015
	£000s	£000s
Less than three months	1,717	1,758
Three to five months	521	369
More than 5 months	11,020	10,958
Total	**13,257**	**13,085**

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 2016	31 March 2015
	£000s	£000s
Less than 1 year	0	0
1 to 2 years	0	0
2 to 5 years	0	0
5 to 10 years	41,767	0
10 to 20 years	83,535	125,302
20 to 30 years	83,535	83,535
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 2016, accrued interest of

£61,300 is shown on the Balance Sheet as short-term borrowing (£81,000 as at 31 March 2015).

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 2015/16, the key theme of the Council's Treasury Management Strategy was greater diversity of its investment portfolio. In 2014/15, the Council's surplus balances were placed in temporary investments with banks and building societies. However new legislation which came into effect during 2015 means that term deposits are at a greater risk of capital loss should a bank have insufficient share capital or bad debt provision to cover those losses. During 2015/16, the Council diversified into more secure and/or higher yielding asset classes which included Certificates of Deposit (CDs) and Pooled Funds.

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, 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 5 February 2015).

Maturity Structure for External Borrowing during 2014/15	Approved Minimum Limits	Approved Maximum Limits	31 March 2016	31 March 2015
			£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%	41,767	0
More than 10 years	0%	100%	170,070	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 2016, £188.8m of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates and £19.6m (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	(178)
Decrease in fair value of loans and receivables *	178
Decrease in fair value of fixed rate borrowings/ liabilities *	(33,992)

* 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 2016**	**Balance as at 31 March 2015**
	£000s	£000s
Pension Scheme - Long-term Liabilities	94,184	99,892
Long-term Finance Lease Obligations	0	110
Other Long-Term Liabilities	0	0
Total Other Long-Term Liabilities	**94,184**	**100,002**

44. LONG TERM DEBTORS

Long-term Debtors	2015/16	2014/15
	£000s	£000s
Service Charge Loans	106	163
Service Charge Debtor	124	90
Renovation Grants	297	302
Housing Act Advances Mortgages	4	5
Soft Loans	25	36
Total	**556**	**596**

45. PRIOR YEAR ADJUSTMENTS

In April 2015 the Council undertook a complete re-valuation of its Balance Sheet assets, taking the opportunity to review the categorisation of its portfolio. As a result, it was deemed necessary to change the categorisation of many of its "Investment Property" assets to "Property, Plant & Equipment – Other Buildings" (PPE) where they were no longer considered their retention was solely to earn rentals and/ or for capital appreciation.

Subsequently, an exercise was undertaken to establish prior-year comparisons for the previous year, 2014/15. The Council's Valuers, Wilks, Head & Eve, confirmed that the valuations of assets re-categorised as PPE were not materially different to those applied under the prior categorisation of Investment Property as at 1 April 2014. £18.646million of a total £21.610million of Investment Properties were re-categorised as PPE from 1 April 2014. PPE assets were valued at £18.992million, representing an upward movement of £0.346million.

The Accounting Code of Practice requires that the Comprehensive Income and Expenditure Statement treats PPE differently to Investment Properties whereby, firstly, PPE requires a charge for depreciation whereas no depreciation is charged against Investment Properties and, secondly, changes in asset valuations are recorded in Financing and Investment Income & Expenditure for Investment Property whereas, for PPE, valuation changes are recorded in either the Revaluation Reserve or against the net Cost of Services. As a consequence there was a net movement of (-)£0.248m between the Net Cost of Services and Financing and Investment Income & Expenditure and a net movement of (-)£0.098m in the Revaluation Reserve.

Individual line changes to the core statements are set out overleaf:

	As previously stated, 2014/15 £000s	Adjustment £000s	As restated, 2014/15 £000s
Movement in Reserves Statement			
Unusable Reserves			
Other Comprehensive Income & Expenditure	49,021	346	49,367
Total Comprehensive Income & Expenditure	49,021	346	49,367
Adjustments between accounting basis & funding basis under regulations	(-) 23,814	(-) 248	(-) 24,062
Net Increase in 2014/15	25,207	98	25,305
Balance at 31 March 2015 carried forward	400,109	98	400,207
Comprehensive Income and Expenditure Statement			
Planning Services	2,584	(-) 1,204	1,378
Net Cost of Services	30,857	(-) 1,204	29,653
Financing and Investment Income & Expenditure	7,074	1,452	8,526
Surplus on Revaluation of Property, Plant & Equipment Assets	(-) 61,363	(-) 346	(-) 61,709
Other Comprehensive Income & Expenditure	(-) 49,021	(-) 346	(-) 49,367
Total Comprehensive Income & Expenditure	(-) 40,886	(-) 98	(-) 40,984
Balance Sheet			
Property Plant And Equipment	700,578	19,358	719,936
Investment Property	22,316	(-) 19,260	3,056
Net Assets	449,960	98	450,058
Unusable Reserves: Revaluation Reserve (note 23)	(-) 400,109	(-) 98	(-) 400,207
Total Reserves	(-) 449,960	(-) 98	(-) 450,058

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SUPPLEMENTARY FINANCIAL STATEMENTS

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HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

	Note	2015/16 £000s	2014/15 £000s
Expenditure			
Repairs and Maintenance		(8,928)	(9,042)
Supervision and Management		(13,839)	(13,042)
Rents, Rates, Taxes and Other Charges		(22)	(17)
Depreciation and Impairments of Non-Current Assets	H7 & H10	(44,960)	(46,399)
Amortisation of Intangible Assets		(138)	(104)
Debt Management Costs		(7)	(11)
Movement in the Allowance for Bad Debts (not specified by the Code)		(123)	(152)
Sums directed by the Secretary of State that are expenditure in accordance with the Code		(6)	(7)
Total Expenditure		**(68,024)**	**(68,774)**
Income			
Dwelling Rents		46,226	45,769
Non-Dwelling Rents		1,012	2,503
Charges for Services and Facilities		3,229	3,229
Contributions towards Expenditure		402	453
Total Income		**50,869**	**51,954**
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		**(17,155)**	**(16,820)**
HRA Services' share of Corporate and Democratic Core		(698)	(635)
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		**(17,852)**	**(17,455)**
HRA share of the operating income and expenditure			
Gain or (loss) on sale of HRA non-current assets		1,633	1,502
Interest payable and similar charges		(6,740)	(6,824)
Interest and investment income		113	47
Pensions interest cost and expected return on pensions		0	0
Capital grants and contributions receivable		-	4,561
Surplus or (deficit) for the year on HRA services		**(22,846)**	**(18,169)**

HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

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.

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

	Note	2015/16 £000s	2014/15 £000s
Balance on the HRA at 1 April		**10,870**	**4,113**
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(22,846)	(18,169)
Adjustments between accounting basis and funding basis under statute	H1	24,439	25,249
Net increase or (decrease) before transfers to or from reserves		1,593	7,080
Transfers (to) or from reserves	H2	(165)	(323)
Increase or (decrease) in year on the HRA		1,428	6,757
Balance on the HRA as at 31 March		**12,298**	**10,870**

H1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

	Notes	2015/16 £000s	2014/15 £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		138	104
Impairment of Fixed Assets		21,086	23,750
(Gain)/ Loss on sale of HRA Fixed Assets		(1,634)	(1,501)
Transfer to/ (from) Major Repairs Reserve		12,770	11,645
Investment Properties		-	-
Financial Instruments		(10)	(54)
Employer's contribution payable to the ECC Pension Fund and retirement benefits payable direct to pensioners		(1,513)	(1,653)
Deferred Grants written down		30	(4,506)
Accumulated Absences		(2)	(2)
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		(6,426)	(2,534)
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year		**24,439**	**25,249**

H2. TRANSFERS TO / (FROM) RESERVES

	Notes	2015/16 £000s	2014/15 £000s
Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year:			
Contribution to Insurance Fund		261	261
Contribution to Perpetuity Earmarked Reserves		394	531
Interest on Earmarked Reserves		18	16
Contribution from Insurance Fund		(85)	(159)
Contribution from Perpetuity Earmarked Reserves		(424)	(326)
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year		**165**	**323**

H3. ANALYSIS OF THE HOUSING STOCK

	2015/16	2014/15
Analysis by Type of Dwelling		
Houses & Bungalows	5,922	5,962
Flats & Maisonettes	3,650	3,666
Other	11	9
Total Dwellings	**9,583**	**9,637**
Analysis by Number of Bedrooms		
Bedsitters	410	412
1 bedroom	2,079	2,082
2 bedrooms	3,645	3,661
3 bedrooms	3,073	3,104
4 bedrooms	339	343
5 bedrooms	26	26
Hostels	11	9
Total Dwellings	**9,583**	**9,637**
The change in stock can be summarised as follows:		
Stock at start of year (1 April)	9,637	9,715
Deduct Sales, Demolitions, etc	(73)	(79)
Add Repurchases, Refurbishments, Additions	19	1
Stock at end of year (31 March)	**9,583**	**9,637**

H4. BALANCE SHEET VALUES FOR THE HOUSING STOCK

	as at 31 March 2016 £000s	as at 31 March 2015 £000s
Council Dwellings:		
Land	221,117	207,665
Dwellings	442,233	415,330
Sub-Total	663,350	622,995
Other land and buildings	23,277	23,069
Vehicles, plant, furniture and equipment	-	-
Infrastructure and community assets	357	217
Assets under construction	-	1,042
Surplus assets not held for sale	1,236	1,561
Investment properties	433	807
Assets held for sale	2,340	1,334
Total HRA Balance Sheet Values	**690,993**	**651,025**

H5. VACANT POSSESSION

The vacant possession values of the Council's Housing stock as at 1 April 2015 amounted to £1,548,758,650 which included a valuation of £23,307,650 for garages, car ports and car spaces. The remaining sum of £1,525,451,000 is attributable to council dwellings, which is subject to a social housing factor of 39% (a reduction of 61%) giving a specific valuation of £593,516,820. The net valuation of housing stock is therefore £616,824,470.

	as at 1 April 2015 £000s	as at 1 April 2014 £000s
Vacant possession value of dwellings	**1,548,759**	**1,476,944**

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 £563,000 in 2015/16. 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	**2015/16** £000s	**2014/15** £000s
Land	0	0
Dwellings	21,224	22,831
Other Property	0	1,023
Total	**21,224**	**23,854**
Operational Assets	21,224	23,854
Non-Operational Assets	0	0
Total	**21,224**	**23,854**

H8. CAPITAL EXPENDITURE AND ITS FINANCING

	2015/16 £000s	**2014/15** £000s
HRA Capital Expenditure:		
Dwelling Stock	18,517	22,830
Non-Dwelling works	774	1,155
Assets Under Construction	2,128	1,042
Investment in Information Technology	32	172
	21,452	**25,199**
Financed By:		
Grant Contributions	786	4,965
Usable Capital Receipts	3,135	4,335
Revenue Contributions	6,426	2,478
Major Repairs Reserve	11,105	13,421
	21,452	**25,199**

H9. CAPITAL RECEIPTS

Summary of HRA Capital Receipts	2015/16	2014/15
	£000s	£000s
Sale of Council Houses - Direct	6,632	5,609
Sale of Council Houses - Deferred	0	0
Other (including shared ownership)	147	409
	6,779	**6,018**

The number of sales of Council houses in 2015/16 continued at a similar level to the previous year in response to the Government's Invigoration of Right to Buy Policy. 73 tenants purchased their properties under the Right to Buy Scheme.
Under the Self Financing arrangements Councils retain a larger proportion of the capital receipt from each sale to compensate for the loss of rent from properties sold. In accordance with the Capital Receipts Pooling Regulations Councils no longer pool receipts from the sale of other property or land sold so retain the full receipt.

H10. CHARGES FOR DEPRECIATION

Depreciation	2015/16	2014/15
	£000s	£000s
Council Dwellings	23,414	22,113
Other Land and Buildings	280	373
Infrastructure and Community Assets	6	2
Surplus assets not held for sale	37	57
Total	**23,737**	**22,545**
Operational Assets	23,414	22,113
Non-Operational Assets	323	432
Total	**23,737**	**22,545**

H11. MOVEMENT ON THE MAJOR REPAIRS RESERVE

Major Repairs Reserve	2015/16	2014/15
	£000s	£000s
Balance as at 1 April	0	2,417
Transfers in - depreciation	23,875	22,649
Transfers out to the HRA	(12,770)	(11,645)
Capital Spending on Housing Stock met by the Reserve	(11,105)	(13,421)
Balance as at 31 March	**0**	**0**

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

The actual payments for pensions made to the pension fund from the HRA of £280,000 (2014/15: £265,000), plus the continuing pension payments in relation to underfunding and early retirements awarded to HRA employees of £1,763,000 (2014/15: £1,802,000), are removed from the HRA and replaced by the current service cost, applying the principles of IAS 19.) The total removed amount is £2,043,000 (2014/15: £2,067,000) and the credit entry is to the Pensions Fund Reserve
The current service cost included in the HRA is the IAS 19 report sum which was £530,000 (2014/15: £414,000) representing the Pension costs of current staff.

H13. RENT ARREARS

Outstanding rent arrears at 31 March 2016 total £3,314,000 plus £151,000 overpaid housing benefit (£3,216,000 and £157,000 at March 2015). A provision for non-collectable debts has been made as at 31 March 2016 totalling £2,888,000 (£2,796,000 at March 2015).

The arrears exclude prepayments of £698,000 and may be analysed as follows:

Rent Arrears	**As at 31 March 2016** £000s	**As at 31 March 2015** £000s
Due from Current Tenants	1,508	1,541
Due from Former Tenants	1,806	1,675
Arrears (gross)	3,314	3,216
	0	0
Prepayments	(698)	(713)
Net Arrears	**2,616**	**2,503**

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 Finance 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)

	2015/16			2014/15
	Business Rates	Council Tax	TOTAL £'000	£'000
Income due:				
Council Tax				
Council Tax-payers	n/a	40,270	40,270	39,213
Transfer for Transitional Relief, S13A Reliefs and discount for		8	8	0
prompt payment	n/a	n/a	0	0
Business Rates	46,108	n/a	46,108	44,944
	46,108	**40,278**	**86,386**	**84,156**
Expenditure:				
Contributions Prior year Deficit/(Surplus):				
- Harlow District Council	(1,763)	(9)	(1,772)	(1,087)
- Essex County Council	(397)	(542)	(939)	262
- Essex Police Authority	0	(72)	(72)	70
- Essex Fire Authority	(44)	(33)	(77)	2
- Department for Communities & Local Government	(2,203)	0	(2,203)	(1,515)
	(4,407)	**(656)**	**(5,063)**	**(2,268)**
Precepts, Demands and Shares				
- Harlow District Council	18,110	6,388	24,498	23,473
- Essex County Council	4,075	26,392	30,467	30,784
- Essex Police Authority	n/a	3,574	3,574	3,506
- Essex Fire Authority	453	1,613	2,066	2,075
- Department for Communities & Local Government	22,637	0	22,637	21,469
	45,275	**37,967**	**83,242**	**81,307**
Charges to the Collection Fund				
Changes in Provision for Bad and Doubtful Debts	481	110	591	(226)
Appeals charged to Collection Fund	(1,686)	-	(1,686)	0
Changes in Provision for Appeals	(159)	n/a	(159)	2,722
Interest on refunds	1	-	1	0
Cost of Collection	120	n/a	120	123
Transitional Payment Protection due to DCLG	251	n/a	251	331
	(992)	**110**	**(882)**	**2,950**
Total Expenditure	**39,876**	**37,421**	**77,297**	**81,990**
(Surplus)/Deficit for year	**(6,232)**	**(2,857)**	**(9,089)**	**(2,167)**
Balance brought forward (surplus)/deficit	**4,247**	**(773)**	**3,474**	**5,640**
Balance carried forward 31 March 2015 (surplus)/deficit	**(1,985)**	**(3,630)**	**(5,615)**	**3,473**

(n/a = not applicable)

CF1. Non-Domestic Rates

The total Non Domestic Rateable Value as at 31 March 2016 was £110,223,861 (£110,190,101 at 31 March 2015). The multiplier for 2015/16 was set at 49.3p (48.2 pence for 2014/15). The product of this is £54,340,363 for 2015/16 (£53,111,629 for 2014/15). 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.

2015/16 Council Tax was set at £263.02 for a band D property (£259.13 for 2014/15).

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

Valuation Band	Total No. Dwellings on Valuation List	Total Equivalent Dwellings (after discounts, etc)	Ratio to Band D	Band D Equivalents
A(i)	6	5.25	5/9	2.90
A(ii)	2,234	1,821.25	6/9	1,214.20
B	7,628	6,488.34	7/9	5,046.50
C	18,514	16,967.17	8/9	15,081.90
D	4,280	3,986.78	9/9	3,986.80
E	2,164	2,058.96	11/9	2,516.50
F	869	830.50	13/9	1,199.60
G	389	374.75	15/9	624.60
H	11	10.50	18/9	21.00
	36,095	32,543.50		29,694.00

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	(237.55)
Total Council Tax Base	**29,456.45**

CF3. DISTRIBUTION OF SURPLUS/DEFICIT

Distribution of Surplus/(Deficit)	Council Tax		Business Rates	
	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s
Harlow Council	605	127	794	(1,699)
Essex County Council	2,530	542	179	(382)
Essex Police & Crime Commissioner	342	71	-	-
Essex Fire Authority	153	33	20	(42)
Department Communities & Local Government	-	-	992	(2,123)
	3,630	773	1,985	(4,246)

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

Intangible Assets

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

Opinion on the Authority's financial statements

We have audited the financial statements of Harlow District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund; and
- Related notes 1 to 45 for the core statements, H1 to H14 for the Housing Revenue Account and CF1 to CF3 for the Collection Fund.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Harlow District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities set out on page 21, 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 2015/16, 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 [name of the document that the financial statements are published in the Statement of Accounts 2015/16 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 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Harlow District Council Statement of Accounts 2015/16 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 is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

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

Authority's responsibilities

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.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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 National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Harlow District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the [name of body] put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, Harlow District Council 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 issued by the C&AG in November 2015, 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 2016.

Certificate

We certify that we have completed the audit of the accounts of Harlow District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

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

September 2016

ANNUAL GOVERNANCE STATEMENT

Harlow Council
Annual Governance Statement 2015/16

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 2016 and up to the date of the Statement of Accounts (30 June 2016).

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 with 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 1. 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 role of the Cabinet and committees, including the Audit and Standards Committee

c) the Internal Audit Manager's Annual Report

d) comments made by the external auditors

e) other review agencies and inspectorates

4.2. The review has been led by the Governance Group comprising the Monitoring Officer, the Section 151 Officer, a Policy and Performance representative, the Internal Audit Manager, the Legal Services Manager and other officers when they have specific contributions to make. In carrying out the review, the Group has kept in mind the six CIPFA/SOLACE principles of effective governance. The Group has considered the following evidence:

a) Service Assurance Statements – each Head of Service, in conjunction with their managers, 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 and Standards Committee, as the body charged with governance.

c) Based upon the results of work undertaken during the year it is the Internal Audit Manager's overall opinion that the Council has an adequate and effective governance, risk management and control framework for 2015/16. Areas for improvement were identified in a number of reviews and action plans agreed. Where significant deficiencies in control processes have been identified by Internal Audit, the actions that the Council's management plan to take will, if implemented satisfactorily, resolve the deficiencies in the appropriate manner.

d) External audit reports issued during the 2015/16 year. Where these exist, we have also used reports from other agencies and inspectorates.

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 2015/16 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. This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues identified. The Council's Governance Group, which monitors and reviews the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table 1 below:

Table 1 – Progress on significant governance issues identified in the 2014/15 AGS

Significant issue identified in 14/15 AGS	Action taken in 15/16 to address the issue
1. Corporate Approach to Service Planning and Risk Management Since the previous AGS there have been improvements in risk management and service planning processes with further work required.	Risk management monitoring and reporting arrangements continue to be enhanced, ensuring these are integrated with business and service planning processes, with a new IT based system being introduced to support this.
2. Corporate approach to Anti-Fraud In light of benefit fraud moving to the DWP Single Fraud Investigation Service, now is a good time for the Council to consider its approach to corporate fraud.	The focus of anti-fraud work this year has been to update the Council's Whistleblowing policy and undertake an assessment of housing fraud risks (including Right to Buys). An action plan is being developed to ensure the maximum benefit is achieved from the resources available with a specific focus on potential housing fraud.
3. Partnerships There are a wide range of partnerships in place in order to deliver the Council's priorities and objectives. This is expected to increase as the Council continues to address government funding challenges.	The Council has established a register of community partnerships and has risk assessed them in order to help the Council ensure they have adequate assurances and governance arrangements in place. A partnership protocol is being drafted by the Head of Community Wellbeing.
4. Business continuity plan testing Testing regimes need to be introduced to verify the effectiveness of business continuity plans, train participants on what to do in a real scenario and identify areas where the plan needs to be strengthened.	A review and update of corporate and key service business continuity plans has taken place. A desk top exercise involving the senior management team is planned for early 2016/17 to help test these plans.
5. Succession planning Teams stated in their Service Assurance Statements that they were attempting to address this issue as part of current restructures or that there was a need to review this area, especially in small teams with a high staff turnover.	Succession planning and the need for greater knowledge sharing continue to be addressed through implementation of the People Resource Plan, which also identifies this as an area for focus and improvement.
6. Project Management training Teams were aware of project management processes but not always adequately trained in this area.	Information on the Council's project management resources, including templates and support available, was disseminated to managers to raise awareness.

5.2. In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement. These are set out in the table below, together with the steps to be taken to address them:

Table Two: Areas for improvement during 2016/17

Key improvement area	Action to be taken in 16/17
1. Financial sustainability The Council requires a robust efficiency plan in order to guarantee its four year financial settlement from central government.	The Council will continue to plan its future financial sustainability through its Medium Term Financial Strategy. Locking in to any longer term financing settlement will be subject to production of a four year efficiency plan and will also be subject to the rules that underpin any such deal to be published by the Government.
2. Local Authority Trading Company It is important for robust governance arrangements to be put in place as Harlow Trading Services (HTS) is set up, being a significant new venture for the Council, and Kier Harlow is wound down.	Formal transition governance and reporting lines have been put in place which includes a Transition Board. Effectiveness of governance arrangements will be monitored following the establishment of the HTS (Property and Environment) Board and Harlow Council Shareholder Sub Committee.
3. Corporate approach to Anti-Fraud In light of the 2016-19 Local Government Counter Fraud and Corruption Strategy the Council needs to review its anti-fraud arrangements.	Based on a recent fraud assessment the focus of Anti-Fraud work is planned to be in the Housing area. This will help inform a review of the Council's anti-fraud strategy and arrangements. In addition, the Council is also part of the pan-Essex group that is developing a data matching solution to identify potential fraud relating to council tax discounts and exemptions but this may also indicate other possible fraud activity.
4. Performance Management In 2016/17 the Council will be migrating its service planning, risk performance management into a single system (InPhase).	Successful completion of the InPhase project is being overseen by the Project Sponsors (Head of Finance and Head of Governance), and monitored through regular updates to CMT/HoS.
5. Service resilience Identified as a theme in the Service Assurance Statements, especially as resources are diverted in setting up Harlow Trading Services.	Resourcing requirements and alternative service delivery models will be considered to ensure the continued delivery of key Council services.

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

> 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:
>
> (Leader of the Council)
>
> Signed: Date:
>
> (Chief Executive)

ANNUAL GOVERNANCE STATEMENT

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 2016/17					
• A new corporate plan covering 2016/17 to 2018/19 has been approved. • Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance	• 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 performance management framework which includes 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. • The Council has an established induction and training programme for existing and new Councillors. This process includes mentoring and training events as and when identified.	• Defined standards of customer service backed by a complaints procedure. • Strategy for encouraging stakeholder involvement.
• An active Corporate Governance Group which takes charge of the Annual Governance Statement.					