



Harlow District Council

Statement of Accounts
2017/18

With Narrative Statement and Annual Governance Statement

Harlow
Council
Working together for Harlow

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SECTION A

NARRATIVE REPORT

NARRATIVE REPORT

Introduction

Welcome to Harlow District Council's Statement of Accounts for the year ending 31 March 2018.

The Statement of Accounts is a statutory document and provides information on the transactions relating to the provision of services by Harlow District Council. Many of the accounting principles used in preparing the Statement of Accounts are complex so, in order to aid the understanding, this Narrative Report provides commentary on issues relating to Harlow as a town and place to live, the most significant aspects of the Council's financial performance, its year-end financial position and its cash flows.

Harlow marked its 70th Anniversary during 2017. Harlow is an enterprising and compact New Town in West-Essex at the centre of the London-Stansted-Cambridge-Corridor. Designed by Sir Frederick Gibberd the town is made up of self-contained local neighbourhoods with a variety of shopping hatches and employment areas

Harlow is home to Harlow College, The University Centre Harlow and the Sir Charles Kao University Technical College. The town also has a 51 hectare Enterprise Zone (EZ), which is one of the 48 sites across the U.K selected by Government to provide a platform for economic growth and deliver benefits for business. The Enterprise Zone investment will be used to develop a new Life Sciences Med-tech Innovation Centre; building on the town's pioneering traditions and bringing jobs to the area.

Further development to the town will include Public Health England's (PHE) laboratories moving to a new integrated hub in Harlow. The hub, which will include PHE's headquarters, will provide the expert science to ensure that the U.K is better protected against key threats such as pandemic flu and international threats like Ebola. It will be fully operational by 2024 with the first facilities opening in 2019. Up to 2,500 jobs will be on the site with many more involved in its construction and the resulting supply chain.

Harlow retains many of the features, art, cultural and leisure facilities which made it so popular in the post-war years. It has also retained a large proportion of social housing and has the second highest level of council housing in Essex. The Council has prioritised investment in this area to ensure decent homes for all.

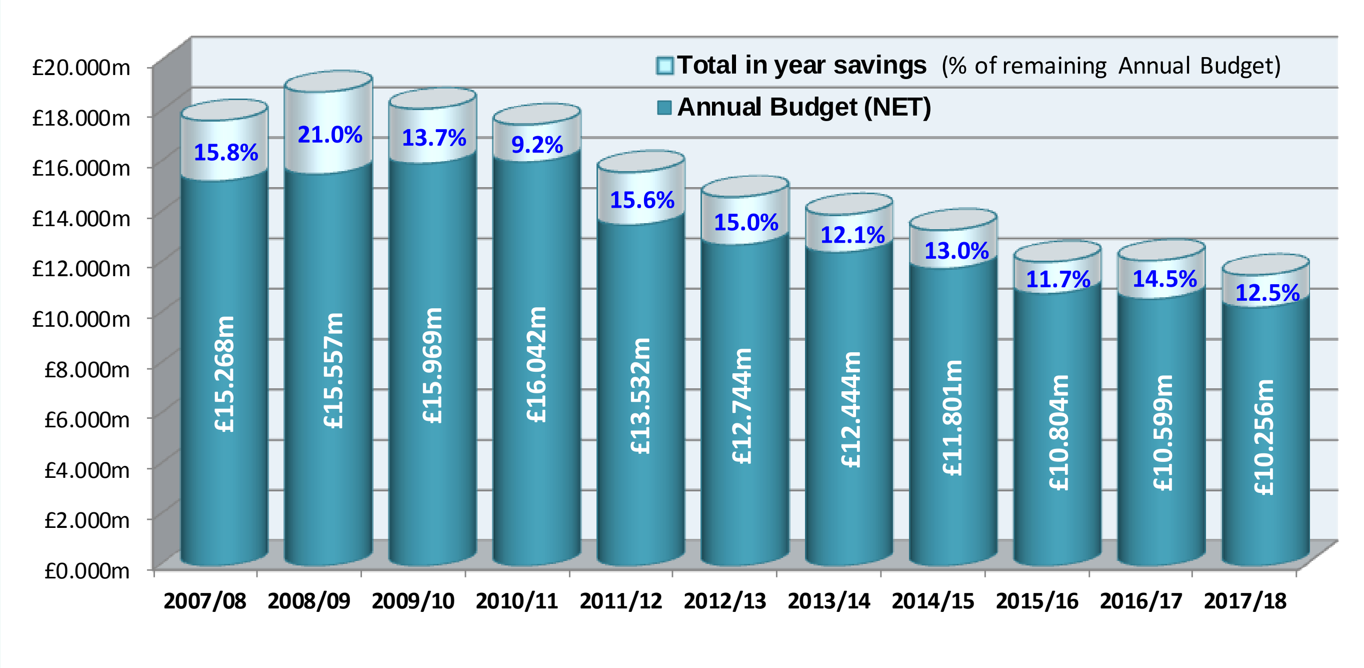
Financial Context

The Council has an annual net General Fund expenditure of just over £10.2 million and is the landlord for over 9,200 properties and over 2,500 leasehold properties at a gross cost of nearly £55 million and currently delivers an annual capital investment programme of nearly £22 million.

The services it provides affect the lives of everybody living in, working in or visiting Harlow and as part of its transformation over the last ten years, and in response to the financial challenges it has faced, the Council has achieved significant financial savings totalling £18.0million in its General Fund over that period.

The Council has achieved all of this whilst managing to protect front line services with partnership working and with the voluntary and private sectors being used wherever possible to maintain access to services.

This financial achievement is illustrated in the chart below, with annual budget values contained in the table that follows (see overleaf):



	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Total in year savings	2,415	3,260	2,183	1,479	2,107	1,906	1,502	1,534	1,264	1,527	1,286
Cumulative savings	2,415	5,675	7,858	9,337	11,444	13,350	14,852	16,386	17,650	19,177	20,463
Annual Budget (NET)	15,268	15,557	15,969	16,042	13,532	12,744	12,444	11,801	10,804	10,599	10,256
Annual savings as % of Annual Budget (NET)	15.8%	21.0%	13.7%	9.2%	15.6%	15.0%	12.1%	13.0%	11.7%	14.4%	12.5%

The Council has also made significant savings over the same period in its Housing Revenue Account. Again this has been achieved whilst improving the standard of housing to meet Government Decency standards, maintaining access to services and in fact performance has been improved.

The Council's main Government grant funding to support General Fund services has already reduced by over 50 percent over the period 2013/14 to 2017/18. Based upon the figures released as part of the Government's four-year funding deal there will be a year-on-year reduction of 10.1 per cent or £337,000 from 2017/18 to 2018/19. In response to further austerity, the Council has a three-year financial strategy setting out how it will balance the books.

Financial information, including the Council's budgets, sources of income, and the budget gaps projected by the Council is contained within the Council's Medium Term Financial Strategy. This can be found on the Council's website.

NARRATIVE REPORT

Results for 2017/18

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 £10.411 million plus an overall contribution to the General Fund of £0.011 million. The budget identified that financing of the total budget requirement would be from Grant funding of £3.512 million, plus a surplus on the Collection Fund of £0.94 million, and from Council Tax with a requirement of £6.816 million.

The Council Tax for a Band D property was set at £272.28, a 1.99% increase on the previous year for the Harlow Council's portion of Council Tax.

The following table summarises the outturn position for the Council's General Fund:

General Fund Outturn	**Original Estimate £000**	**Revised Estimate £000**	**Actual £000**	**Variance** £000
Council Services				
Managing Director	3	(1)	(43)	(46)
Finance	3,710	3,927	3,885	175
Community Wellbeing	3,812	3,996	3,691	(121)
Housing (GF)	1,321	1,155	939	(382)
Governance	716	730	498	(218)
Place	2,384	2,422	2,529	145
Net Service Expenditure	11,946	12,229	11,499	(447)
Reversal of capital charges	(521)	(549)	(1,096)	(575)
Net Interest Payable	2	2	59	57
MRP	224	224	218	(6)
Other Operating costs	(1,097)	(1,122)	(2,449)	(1,352)
	10,554	10,784	8,231	(2,323)
Transfers to / (from) reserves	(144)	(144)	915	1,059
Total Net Spending for the Year	**10,410**	**10,640**	**9,146**	**(1,264)**
Met by:				
Collection Fund Demand (Precept)	(6,816)	(6,816)	(6,816)	0
Government Grants	(3,606)	(3,606)	(3,606)	0
Contribution To / (From) Balances	12	(218)	1,276	1,264
	(10,410)	**(10,640)**	**(9,146)**	**1,264**

General Fund Budget Variations (Actual Against Original Estimate)

During 2017/18 the Council's total net expenditure on its General Fund was £9.1 million (£10.4 million 2016/17), which was offset by income from Council Tax and Government Grants.

The Council's funding from Central Government in 2017/18 reduced by 15.2% 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 2018 stands at £6.735 million; an increase of £1.276 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 Member approval (July 2018), a proportion of this balance (£0.137m) will be used to support spending plans that will be carried forward into 2018/19. 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.

Revenue spending - Housing Revenue Account

The following table summarises the outturn position:

	Original Estimate £000	Actual £000	Variance £000
Expenditure			
General Management	12,128	11,112	(1,016)
Supervision and Management	6,710	6,788	78
Repairs	9,755	9,753	(2)
Rents, Rates, Taxes and Other Charges	46	110	64
Provision for Bad and Doubtful Debts	300	85	(215)
Supporting People Transitional Arrangements	5	5	0
Major Repairs Allowance (Net Depreciation)	10,928	11,801	873
Interest Charges	16	16	0
Debt Management Expenses	6,765	6,779	14
Revenue Contribution to Capital Expenditure	6,136	1,503	(4,633)
Transfers to/from Insurance Fund	182	154	(28)
Total Spending for the year	**52,971**	**48,106**	**(4,864)**
Income			
Dwelling Rents	(44,210)	(43,884)	326
Non-Dwelling Rents	(1,103)	(988)	115
Other Rents	(55)	(62)	(7)
Charges for Services and Facilities	(4,776)	(4,213)	563
Interest Receivable	(47)	(88)	(41)
Total Income for the year	**(50,191)**	**(49,235)**	**956**
Net HRA (Surplus)/Deficit	**2,780**	**(1,129)**	**(3,908)**

The Council set a budget for Housing Revenue Account services with a net deficit for the year of £2.108m. Approved carry overs of revenue increased the deficit by £0.672m to £2.780m.

Housing Revenue Account Budget Variations (Actual Against Original Estimate)

Net expenditure and income varied by a favourable £3.908m.

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 £0.331m. Home loss payments and moving incentives arising from Priority Estates were £0.703m less than originally estimated due to the difficulty of forecasting demand and uncertainty around tenant removal and home loss claims. There were also adverse changes to the HTS (Property & Environment) Ltd. pension contribution of £0.260m.
- Supervision and Management: The cost of homeless prevention also increased in line with the national trend, resulting in an unfavourable variance of £0.296m
- The Provision for Bad and Doubtful Debts was set at £0.3m in anticipation of possible arrears following the implementation of Universal Credit in Harlow. The provision required for 2017/18 was £0.085m, a reduction of £0.215m.
- The Revenue Contribution towards Capital Expenditure decreased by £4.633m. This was due to lower than expected expenditure on the Housing Capital Programme, attributable to a carry-over of work totalling £5.187m to 2018/19.
- Dwelling Rent Income was £0.326m lower than estimated mainly due to the earlier movement of tenants from the priority estates regeneration programme.
- There was also a reduced contribution from leaseholders for capital works of £0.530m, mainly due to work being carried over to the next financial year.

Capital spending

In its capital investment programme aligned with both General Fund and Housing services, the Council incurred capital expenditure totalling £21.4m in 2017/18 against an approved programme of £37.4m. Schemes to the value of £9.5m including funding from grants of £0.032m are to be carried forward for works due to be undertaken during 2018/19.

Major housing schemes included:

- General improvements to homes (including internal and external works, windows and doors, electrical works) £11m
- Lift refurbishments £0.38m
- Disabled facilities to dwellings; £1.1m
- Energy Efficiency work (includes upgrades to District Heating and communal boilers); £1.5m.

Other schemes included:

- Restoration of Oakwood Pond and flood prevention; £0.18m
- Removal of asbestos including the demolition of the Hummingbird Public House; £0.17m
- Refurbishment of commercial properties including the Latton Bush Centre; £0.32m

- Upgrade of IT Systems; £0.4m
- Renovation of Harlow Playhouse as part of a 4 year project; £0.4m
- Prentice Place Development; £0.3m
- Improvements within Harlow Town Park (including Pets Corner, Changing Places Toilet and the Learning Centre); £0.25m.

Enterprise Zone

In 2014/15 the Council received a grant of £11.205m from the Department for Communities and Local Government (DCLG) for the acquisition of land and infrastructure work relating to the Harlow Enterprise Zone. This seeks to attract 100 businesses to the area and create more than 2,500 jobs 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 (£5.73m) at London Road to enable the delivery of a new Science Park on the Enterprise Zone site. During the year the Council undertook the construction of a new access road to the site and this completed in March 2017. The Council also undertook the procurement of a development partner, Vinci UK Developments Ltd, to deliver the construction of the new Science Park and the design of the site infrastructure. Construction of this commenced in the autumn of 2017, funded by the balance of the DCLG grant and additional loan finance, and this is scheduled to complete in June 2018. The summer of 2018 will also see the commencement of the construction of the first two buildings on the Science Park site.

New tenants have been secured at Kao Park (former Nortel site) with the office space now at 85% occupancy. Construction on the first data centre building completed in January 2018 and it is expected that work will start on a second data centre building before the end of 2018.

Programme of Development

In 2017/18 the Council held £2.7m as the Accountable Body for Programme of Development regeneration schemes. The grant monies included £2.4m for capital work which were made available by the DCLG to the Council and its partner local authorities for approved regeneration schemes.

During 2017/18 the Council drew down a total £0.495m of which £0.339m funded capital expenditure for work towards the regeneration of specific areas of Harlow. Claims from partner authorities drew down a total of £0.2m to fund capital works.

Internal Capital Financing

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

In 2017/18 capital investment was financed by £3.9m from internal resources, £2.6m of which was used to finance work at the Enterprise Zone. The Council has not entered into borrowing to finance the housing capital programme but has used surplus resources.

<u>Revaluation of Land and Property Assets</u>

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 2017 represents the third year of a five year cycle.

Funding the Capital Programme

The General Fund Capital Programme expenditure totalled £3.109 million and was funded through a combination of Direct Revenue Financing (£0.616 million), Grants (£0.692 million), Capital Receipts (£0.203 million), Asset Disposals (£0.306 million), Renovation Loans and other contributions (£0.023 million) and Internal Borrowing (£1.269 million).

The Housing Capital Programme expenditure totalled £13.346 million and was financed from Revenue Reserves (£1.504 million), Major Repairs Reserve (£11.801 million) and Other Contributions (£0.041 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 2017/18 capital investment was financed by £3.87 million from internal resources. The Council has not entered into borrowing to finance the housing capital programme 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 2017/18 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 increased from £48.120 million at 31 March 2017 to £51.552 million as at 31 March 2018, an increase of £3.251 million. The most significant movements were:

- a decrease of £2.727 million in short-term investments placed for periods exceeding three months in duration;
- an increase of £5.073 million in the level of cash and cash equivalents held, due to a decrease in investments placed for periods shorter than three months.
- an increase in the level of short-term debtor balances of £2.056 million;
- a decrease in assets held for sale of £0.969m.

Current liabilities have decreased from £18.311 million at 31 March 2017 to £17.483 million as at 31 March 2018, a decrease of £0.828 million. This decrease is largely represented by a £0.836 million reduction in sundry creditors, as shown in note 19 which accompanies the financial statements.

Other Long Term Liabilities - Pension Fund

The long-term liability reported in the draft accounts was £110.029m, but did not take account of a prior period adjustment (PPA) for Kier and HTS. The PPA has reduced the pension liability by £6.450m.This was due to a pension settlement relating to Kier Harlow of £9.525m offset by an increased actuarial loss of £3.075m as at 31 March 2017 to £103.579m.

The current year pension costs also needed to be adjusted to reflect the PPA and other movements resulting in the pension liability reducing to £91,695m as at 31 March 2018.

A more detailed analysis of the defined benefit pension contributions can be found in Note 37 of the Statement of Accounts.

Financial Prospects Looking Forward

General Fund

The 2017/18 outturn position has remained strong and the Council increased its General Fund Balance by £1.276 million in the year, providing a firmer foundation for preserving services to the local community whilst, in addition, protecting the continuation of discretionary service delivery, providing scope for further investment in the future of Harlow and protecting Council Tax bills from future expenditure commitments and Government fiscal tightening. General Fund Earmarked Reserves now stand at £17.230 million with a further £6.735 million held in the General Fund working balance.

The Council's Medium Term Financial Plan for 2018/19 to 2020/21, agreed at Council in February 2018, shows that whilst there remain challenges to enable a balanced budget proposal to be delivered there remain no unidentified savings targets for the next three financial years. Whilst Government funding announcements, Business Rates Retention proposals and economic conditions may impact upon this position the Council is in a much stronger financial position now than it has been in previous financial years.

Despite the strong financial position in which the Council finds itself the significant changes planned by the Government in terms of local authority funding and how these changes may manifest themselves locally for Harlow means that the protection of services cannot be guaranteed in future years.

Going forward there will remain uncertainties and risks which the Council needs to monitor which include:

- Occurrence of Significant and unexpected variations in actual income and expenditure against budget.
- The impact of the proposals to overhaul local authority funding through the Business Rates Reform process including the future for New Homes Bonus beyond 2019/20.
- Local impacts of the Governments Welfare Reform programme should the changes impact the Council more adversely than assumed.
- Movements in interest rates - with bank base rates at an all-time low, investment income earned is supressed despite diversification in the investment portfolio, whilst any increases in the longer-term would adversely impact on the cost of borrowing by the Council in delivering its 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 especially in light of the new responsibilities placed on local authorities in this regard.

Housing Revenue Account

To ensure the sustainability of the housing service, the Council publishes a 30-year Business Plan annually. The HRA Business Plan 2017-2047 produced a balanced account, maintaining sufficient minimum working balances over the medium term, and aiming to:

- Maintain compliance of the Council's housing stock to the housing regulatory requirements by operating a reduced 'just in time' replacement regime for key components such as kitchens, bathrooms, central heating systems, roofs and external structure of homes.
- Target resources to safeguard the well-being and safety of the Council's tenants in their homes in regard to increased statutory and legislative landlord requirements for fire safety, electrical (communal) safety, asbestos management and lift maintenance.
- Prioritise energy efficiency initiatives that alleviate fuel poverty.
- Defer the development of a longer term programme of council house build and review annually.
- Prioritise resources for disabled adaptations to meet statutory requirements and keep under review annually.
- Reduce resources to garage-related works and re-prioritise the approved Garage and Hardstand Strategy.
- Realise further efficiencies from responsive repairs programmes and scope of works.

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

- Following the tragic fire at Grenfell Tower in North Kensington, London in June 2017, the outcome of the Public Inquiry will have inevitable implications for landlords across the country.
- Outcome and communication of outstanding national housing policy imperatives relating to the sale of larger properties in support of Registered Social Landlord (RSL) Right to Buy proposals, and future rental income legislative parameters. In July 2015, the Government announced a legislative requirement for social landlords to decrease rents annually by one percent over four financial years (2016/17 – 2019/20). This challenged councils to make efficiencies in order to deliver sustainable services. For Harlow Council the budget gap 2016-2020 was £5.1m. It has now been announced that the uplift over the following five financial years, (2020/21 – 2024/25) will be CPI +1 percent.
- HTS (Property & Environment) Ltd, a wholly owned subsidiary of Harlow Council: subject to pension adjustments and re-valuation implications.

- Welfare Reform: the Government's reduction in benefits to non-working families may have an adverse impact on tenants' ability to pay rent. Additionally, Essex County Council has reduced Housing Related Support to the Council.

- Continuing development of a Capital Programme to deliver decent homes in partnership with contractors, and the need to deal with unexpected outcomes, such as fire safety and regulation, especially in light of constraints arising from the reduction in rental income from 2016/17.

- The ongoing uncertainties of Brexit on the country's economic outlook.

- The Homeless Reduction Act 2017, implemented from April 2018, will place a legal duty on Council's to take steps to prevent families from becoming homeless, with a key element being to intervene to prevent homelessness happening in the first place, rather than focusing on accommodating people who are already homeless. This will have financial implications for the Council in terms of the increased new duties that it will be expected to provide.

- The Government has introduced new plans to fix the "broken housing market and build more homes across England". This includes measures to:
    (i) Reduce the obstacles to house building and help local authorities, developers and SME builders build the homes Britain needs.
    (ii) Improve affordability and protections for renters and home purchasers. Amongst many headlines, there is a view that Councils existing/new "Housing Companies" will be subject to "Right to Buy" processes.

Performance Management

The Central Government requires all Councils to collect and report data relating to their function as a Local Authority in areas such as waste, planning, benefits and housing.

The Council monitors its performance against its Corporate Priorities, Principles and Goals through its Performance Management Framework. The Framework sets out the mechanisms for performance management within the Council, which utilises a range of tools to assist staff and Councillors in gathering and reporting on its performance data. Outcomes are formally reported to Councillors in structured Joint Finance and Performance Reports (JFPR), which are presented quarterly to Cabinet.

For example, the JFPR brings together the Council's performance on Key Performance Indicators (KPIs), risk, finance and service milestones. The report illustrates what the Council has achieved in providing its services, the delivery of its Corporate Priorities and Principles; and the management of its finances against its budgets.

The Council's Priorities, Principles, Goals and achievements in 2017/18 are set out in its Corporate Plan 2018 – 2021, available on the Council's website (www.harlow.gov.uk/corporate-plan-2018-21pdf).

The Council achieved an overall performance of 96% for its KPIs (on or above target) and 100% for all the Service milestones due to be completed in the financial year 2017/18.

To view the Council performance data and reports, please visit our website at

www.harlow.gov.uk/performance-reports

NARRATIVE REPORT

Explanation of the contents of the Statement of Accounts

Set out below are more detailed explanations relating to each of the main core elements of the Statement of Accounts, which it is hoped will further aid your understanding of what each key statement represents and what it can tell you regarding the Council's financial position.

Local councils' accounts are prepared in accordance with proper accounting practices that are defined by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ("The Code"). The objective of The Code is to specify the principles and practices of accounting required to give a 'true and fair' view of the financial position, financial performance and cash flows of a local authority. It requires that local authorities prepare their financial statements in accordance with the International Accounting Standards Board (IASB). The IASB, in turn, sets out the concepts that underlie the preparation and presentation of financial statements for external users of the accounts. However the overriding principle of local authority accounts is that, where an accounting treatment is prescribed by law, then it must be applied, even if it contradicts one or other of the accounting concepts set by the IASB.

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 Council and of the Head of Finance in relation to the accounts.

Expenditure and Funding Analysis

This statement was introduced to the published accounts for the first time last year adopting new reporting and disclosure requirements of the CIPFA Code of Practice.

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the Council (that is funding from Government grants, rents, Council Tax and Business Rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure, accounted for under generally accepted accounting practices, is presented more fully in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement contains the group of elements relating to the performance of the Council, namely income and expenditure. Following the introduction of the Expenditure and Funding Analysis, described above, the Comprehensive Income and Expenditure Statement now takes a different format. For this reason, we have included a restatement of the Comprehensive Income and Expenditure Statement that was reported last year so that comparatives between years may be obtained.

In its new format, 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 and rent to cover expenditure in accordance with statutory requirements; this may differ from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. It is in the Movement in Reserves Statement that adjustments are made to reconcile the General Fund Balance to statutory requirements (particularly in relation to capital accounting and retirement benefits).

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. The Net Increase/ Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

Balance Sheet

The Balance Sheet is a measure of the Council's financial position at a point in time. Thus, it shows the value of assets and liabilities recognised by the Council on the last day of the financial year, 31 March 2018. 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 shows the changes in 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 indicates 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.

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 practices, rather than the amount to be funded from rents and Government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

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 (NDR, 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 respective precept demands on the Collection Fund. The Business Rates balance is shared between Central Government, Harlow

Council, Essex County Council and Essex Fire Authority in the percentages 50% / 40% / 9% / 1%, respectively.

Group Accounts

The CIPFA Code of Practice requires local authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Harlow Council is the sole shareholder in the HTS (P&E) Limited company and group financial statements have therefore been included within the Statement of Accounts in accordance with IFRS 10 and are shown in pages 129 to135. The Group Accounts comprise the Movement in Reserves Statement; the Comprehensive & Income Expenditure Statement; the Balance Sheet; the Cash Flow Statement and associated notes.

In Conclusion

I would like to thank Finance staff and the staff in other service areas 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 2017/18.
If you would like 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, Julie Kriek at JKriek@uk.ey.com

Simon Freeman
Head of Finance
5 September 2018

SECTION B

STATEMENT OF ACCOUNTS 2017/18

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs - in this Council, that officer is the Head of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 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 Code of Practice on Local Authority Accounting.

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 Draft Statement of Accounts as set out on pages 22 to 135 presents a true and fair view of the financial position of Harlow District Council as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

The unaudited Accounts were issued on 31 May 2018 and, when completed, the audited Accounts were presented to the Council's Audit and Standards Committee on 5 September 2018 for review, immediately prior to being authorised and issued for publication.

Signed ……………………………………… Date 5 September 2018

Simon Freeman CPFA
Head of Finance

Signed ……………………………………… Date 5 September 2018

Councillor Karen Clempner
Chairman of Audit and Standards Committee

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CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement for the year ended 31 March 2018

	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied Account £000s	**Total Usable Reserves £000s**	Unusable Reserves £000s	**Total Authority Reserves £000s**
Balance at 31 March 2016 carried forward	3,888	13,552	12,298	4,342	2,155	5,155	**41,390**	465,004	**506,394**
Movement in reserves during 2016/17									
Surplus / (Deficit) on the provision of services	(10,263)		(18,625)				**(28,888)**		**(28,888)**
Other Comprehensive Income and Expenditure							**0**	68,274	**68,274**
Total Comprehensive Income and Expenditure	**(10,263)**		**(18,625)**				**(28,888)**	**68,274**	**39,386**
Adjustments between accounting basis & funding basis under regulations (Note 6)	14,741		19,394		(262)	(1,572)	**32,301**	(32,301)	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**4,478**		**769**		**(262)**	**(1,572)**	**3,413**	**35,973**	**39,386**
Transfers to/ (from) Earmarked Reserves (Note 21)	(2,907)	2,907	(92)	92			**0**		**0**
Increase / (Decrease) in 2016/17	**1,571**	**2,907**	**677**	**92**	**(262)**	**(1,572)**	**3,413**	**35,973**	**39,386**
Balance at 31 March 2017 carried forward	**5,459**	**16,459**	**12,975**	**4,434**	**1,893**	**3,583**	**44,803**	**500,977**	**545,780**
Movement in reserves during 2017/18									
Surplus / (Deficit) on the provision of services	(2,767)		(34,131)				**(36,897)**		**(36,897)**
Other Comprehensive Income and Expenditure							**0**	87,974	**87,974**
Total Comprehensive Income and Expenditure	**(2,767)**		**(34,131)**				**(36,897)**	**87,974**	**51,077**
Adjustments between accounting basis & funding basis under regulations (Note 6)	4,814		35,331		5,165	(1,637)	**43,673**	(43,673)	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**2,047**		**1,200**		**5,165**	**(1,637)**	**6,776**	**44,301**	**51,077**
Transfers to/ (from) Earmarked Reserves (Note 21)	(771)	771	(71)	71			**0**		**0**
Increase / (Decrease) in 2017/18	**1,276**	**771**	**1,129**	**71**	**5,165**	**(1,637)**	**6,776**	**44,301**	**51,077**
Balance at 31 March 2018 carried forward	**6,735**	**17,230**	**14,104**	**4,505**	**7,058**	**1,946**	**51,579**	**545,278**	**596,857**

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 2018

	Notes	2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000	2016/17 Restated Net Expenditure £000	2016/17 Net Expenditure £000
Managing Director and Services		244	(4)	240	288	288
Community Wellbeing		7,137	(2,341)	4,796	6,395	6,396
Finance		40,924	(36,926)	3,998	3,050	2,690
Place		14,576	(11,410)	3,166	6,487	6,487
Housing GF		1,810	(832)	978	1,025	1,025
Governance		2,054	(434)	1,620	1,758	1,581
Housing HRA		72,359	(60,321)	12,038	5,948	15,692
Cost of Services		139,104	(112,268)	**26,836**	24,951	34,159
Other Operating Expenditure	7			15,057	7,794	7,794
Financing and Investment Income and Expenditure	8			9,398	9,816	9,536
Taxation and Non-Specific Grant Income	9			(14,394)	(13,671)	(13,074)
(Surplus)/ Deficit on Provision of Services				**36,897**	28,890	38,415
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment				(74,412)	(86,456)	(86,456)
(Surplus)/ Deficit on Revaluation of Available for Sale Financial Assets				(77)	52	52
Actuarial (Gains)/ Losses on Pension Assets and Liabilities				(13,485)	18,132	15,057
Other Comprehensive Income and Expenditure				**(87,974)**	(68,272)	(71,347)
Total Comprehensive Income and Expenditure				**(51,077)**	(39,382)	(32,932)

The Comprehensive Income and Expenditure Statement records the Council's Revenue income and expenditure for the year for providing services. Expenditure represents a combination of statutory duties and discretionary spend focused on local priorities and needs. Following the introduction of new CIPFA regulations in 2016/17, the Council's income and expenditure is required to be reported along management reporting lines. This required substantial realignment of detailed financial reporting in 2016/17. In that year, some items were allocated to incorrect lines within the statement, mainly consisting of income from grants. As a result of reviewing the methodology applied and improving the quality of the financial statements, comparative figures for 2016/17 have been restated; there is no impact on the deficit reported on the provision of services in 2016/17.

This statement is prepared in accordance with generally accepted accounting practices, so does not show the amounts to be funded from taxation. Instead, the taxation position may be derived from the Movement in Reserves Statement.

BALANCE SHEET

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.

Balance Sheet As At 31 March 2018

	Note	**2017/18** **£000**	Restated 2016/17 £000	2016/17 £000
Property, Plant & Equipment	10	859,134	824,024	823,530
Heritage Assets	11	1,622	1,622	1,622
Investment Property	12	1,906	1,789	1,789
Intangible Assets	13	766	954	954
Long-Term Investments	14	1,955	1,866	1,866
Long-Term Debtors	42	1,417	1,680	1,680
Long-Term Assets		**866,800**	831,935	831,441
Short-Term Investments	14	11,321	14,048	14,048
Assets Held for Sale	18	1,528	2,497	2,991
Inventories	15	33	34	34
Short-Term Debtors	16	13,067	11,011	11,011
Cash and Cash Equivalents	17	25,603	20,530	20,530
Current Assets		**51,552**	48,120	48,614
Short-Term Borrowing	14	(81)	(80)	(80)
Short-Term Creditors	19	(16,285)	(17,121)	(17,121)
Short-Term Provisions	20	(1,117)	(1,110)	(1,110)
Current Liabilities		**(17,483)**	(18,311)	(18,311)
Long-Term Creditors	14	(383)	(317)	(317)
Long-Term Borrowing	40	(211,837)	(211,837)	(211,837)
Other Long-Term Liabilities	41	(91,696)	(103,579)	(110,029)
Grants Receipts in Advance - Capital	32	(96)	(244)	(244)
Long-Term Liabilities		**(304,012)**	(315,977)	(322,427)
Net Assets		**596,857**	545,767	539,317
Usable Reserves	21	(51,579)	(44,803)	(44,803)
Unusable Reserves	22	(545,278)	(500,964)	(494,514)
Total Reserves		**(596,857)**	(545,767)	(539,317)

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves represents those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, as well as reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

The Balance Sheet for 2016/17 has been restated for the following two issues:

1. A Property had originally been incorrectly recorded as on the market for sale; this resulted in a restatement of £494,000 in Property Plant and Equipment and Assets Held for Sale.
2. The second adjustment relates to the cessation of Keir Harlow Ltd, and the creation of Harlow Trading Services which occurred on the 1 February 2017. The Pension Fund net assets which were then transferred back to Harlow Council was not reported until September 2017 and as a result was not accounted for in 2016/17. It has now been possible to incorporate the results of these events and the net effect to be carried forward from 2016/17 into 2017/18 is a net gain of £6.450m. £9.525m related to a settlement and £3.075m to an additional actuarial loss. The impact on the Statement of Accounts is that the deficit on the provision of services has been reduced in 2016/17 from £38.415m to £28.890m. But the actuarial loss increased from £15.057m to £18.132m producing a net gain of £6.450m. These amendments have been applied in accordance with the Council’s Accounting Policy which requires material errors to be corrected retrospectively, by adjusting the opening balances and comparative amounts for the prior period.

The unaudited accounts were issued on 31 May 2018, and the audited accounts were authorised for issue on 5 September 2018.

Signed:

Simon Freeman CPFA
Head of Finance
5 September 2018

CASH FLOW STATEMENT

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.

Cash Flow Statement for the Year Ended 31 March 2018

	Notes	2017/18 £000	2016/17 Restated £000	2016/17 £000
Net Surplus/(Deficit) on the Provision of Services		(36,897)	(28,890)	(38,415)
Adjustments to Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements		60,484	50,192	59,717
Adjustments for Items Included in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities		(6,577)	(13,182)	(13,182)
Net Cash Flows from Operating Activities	23	**17,010**	**8,120**	**8,120**
Investing Activities	24	(10,435)	(13,774)	(13,774)
Financing Activities	25	(1,502)	(1,111)	(1,111)
Net (Increase)/Decrease in Cash and Cash Equivalents		**5,073**	**(6,765)**	(6,765)
Cash and Cash Equivalents at the Beginning of the Reporting Period		20,530	27,295	27,295
Cash and Cash Equivalents at the End of the Reporting Period	17	**25,603**	**20,530**	**20,530**

CASH FLOW STATEMENT

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

	2017/18 £000	2016/17 Restated £000	2016/17 £000
Depreciation	6,762	49,602	49,602
Impairment and Downward valuations	48,168	1,182	1,182
Amortisation	332	360	360
Increase/ Decrease in Creditors	(1,823)	(158)	(158)
Increase/ Decrease in Debtors	(2,567)	(1,919)	(1,920)
Increase/ Decrease in Inventories	1	(8)	(8)
Movement in Pension Liability	1,602	(8,737)	788
Contribution to/ (from) Provisions	(6)	(1,205)	(1,205)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	8,015	11,075	11,075
Total	**60,484**	**50,192**	**59,716**

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:

	2017/18 £000	2016/17 £000
Capital Grants credited to surplus or deficit on the provision of services	(662)	(1,533)
Net adjustment from the sale of short and long term investments	2,727	(2,032)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(8,642)	(9,617)
Total	**(6,577)**	**(13,182)**

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ACCOUNTING POLICIES
&
NOTES TO
THE ACCOUNTS

ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, and this requires the preparation to be in accordance with proper accounting practices. Under Section 21 of the Local Government Act 2003 these practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (2017/18), 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. Council Tax and Non-Domestic Rates – Principal and Agent Accounting Policy

Harlow Council is a billing authority, required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). In its capacity as a Billing Authority the Council acts as an agent, collecting and distributing Council Tax on behalf of the major preceptors and as principal for collecting its own funding requirements allowable by Central Government.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government proportionately share the risks and rewards that the amounts of Council Tax and NDR collected could be less or more than predicted.

While the Council Tax and Non-Domestic Rates income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is the Council's demand on the Fund for that year, plus/(less) the Council's share of any surplus/ (deficit) on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year, in accordance with the Accounting Code of Practice.

Accounting for Council Tax and Non-Domestic Rates

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. It is this movement through the Movement in Reserves Statement that generates statutory adjustments required to return to the amounts chargeable to Council Tax for the year for which the annual budget and Council Tax level will have been determined by the Council. In addition, that part of Non-Domestic Rates retained as the cost of collection allowance under regulation is treated as the Council's income and appears in the Comprehensive and Income Expenditure Statement, as are any costs added to Non-Domestic Rates in respect of recovery action.

The Balance Sheet includes the Council's share of the end-of-year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

vi. Charges to Revenue for Non-Current Assets

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

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

Under agreed accounting practice, the Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This sum is calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance. This is achieved by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. Such benefits are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements or any form of leave 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.

Harlow Trading Services (Property and Environment) Limited (HTS) account for the pension contributions by making fixed percentage rate contributions, Harlow Council (HDC) have made guarantee to Essex County Council, whereby any increased burdens from the Pension will not fall on HTS. The Accounting Policy is therefore that HTS are making defined contributions and HDC guarantee the pensions are defined benefit.

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 2.55% 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:

  <u>Service costs, comprising:</u>

  - 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.

viii. Events after the Reporting Period

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

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

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

ix. Financial Instruments

Financial 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).

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

Since 2007 the Council has had material interests in Kier Harlow, having a 19.9% share in the joint venture. Whilst this has previously been classified as an associated entity, trading ceased in February 2017 with the transfer of its activities to HTS (Property and Environment) Ltd. The Council is no longer a shareholder in the company having sold its shareholding in Kier Harlow back to the Kier Group in or around July 2018.

Harlow District Council is the sole shareholder of HTS Group Limited (being a non-trading parent company).

HTS Group Limited is the single shareholder in HTS (Property and Environment) Limited. Group Accounts have been prepared for the year ended 31 March 2018 to incorporate the transactions of HTS (Property and Environment) Ltd for the financial year.

Harlow Trading Services (Property and Environment) Limited (HTS) accounts for its pension contributions by making fixed percentage rate contributions. Harlow Council has issued a guarantee to Essex County Council (administrators of the pension fund) whereby any increased burdens from the pension fund will not fall on HTS. The Accounting Policy is therefore that HTS are making defined contributions and the Council guarantees the pensions as being defined benefit.

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 service segments in accordance with the Council's arrangements for accountability and financial performance. Thus, income and expenditure allocated to services reflects their consumption of overheads and support costs as determined in the Council's apportionment policy.

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, 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).

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 componentise Council Dwellings because the impact has been demonstrated to be material. The Weighted Average Remaining Useful Life method is employed.

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)

During 2017/18 the services contracted for refuse collection to Veolia limited were on the basis of an extended contract, and in this second phase of the contract costs were simply charged to operational activity as all assets had been fully depreciated over the primary period of the contract.

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.

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. The Council does not take advantage of the flexible use of capital receipts for revenue purposes.

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.

1. EXPENDITURE AND FUNDING ANALYSIS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2017/18 Net Expenditure Chargeable to the General Fund and HRA Balances	2017/18 Adjustment between Funding and Accounting basis	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement	Restated 2016-17 Net Expenditure Chargeable to the General Fund and HRA Balances	Restated 2016-17 Adjustment between Funding and Accounting basis	Restated 2016-17 Net Expenditure in the Comprehensive Income and Expenditure Statement
		£000s	£000s	£000s	£000s	£000s	£000s
Corporate and Chief Executive		234	6	240	275	13	288
Community Wellbeing		3,292	1,504	4,796	2,942	3,453	6,395
Finance		5,736	(1,738)	3,998	4,582	(1,532)	3,050
Place		1,139	2,027	3,166	2,182	4,305	6,487
Housing GF		830	148	978	933	92	1,025
Governance		1,175	445	1,620	1,660	98	1,758
Housing HRA		(11,388)	23,426	12,038	(11,566)	17,514	5,948
Net Cost of Services		**1,018**	**25,818**	**26,836**	1,008	23,943	24,951
Other Income and Expenditure	7,8,9	(4,268)	14,329	10,061	(6,255)	10,194	3,939
(Surplus)/ Deficit		**(3,250)**	**40,147**	**36,897**	(5,247)	34,137	28,890
Opening General Fund and HRA Balance		39,327			34,080		
Plus Surplus / Less (Deficit) on General Fund and HRA Balance in Year		3,250			5,247		
Closing General Fund and HRA Balance at 31 March		42,577			39,327		

The Expenditure and Funding Analysis brings together local authority performance reported for each of the Council's services on the basis of expenditure measured under proper accounting practices, in accordance with Generally Accepted Accounting Principles (GAAP), which is defined within the Glossary to the rear of this Statement of Accounts), with statutorily defined charges to the General Fund and the HRA.

By way of explanation, proper accounting practices may be regarded as measuring the resources that have been generated and consumed in the year, including such things as the use of property (depreciation), and the value of pension benefits earned by the employees (as all entities, including commercial entities, may report them), whilst statutory provisions may be regarded as determining how net expenditure in the year can be measured to determine by how much the Council's funds have moved and how these movements link to annual rents and Council Tax bills set by the Council.

The Expenditure and Funding Analysis essentially sets out two viewpoints. Hence, the net expenditure that is chargeable against Council Tax and rents is reconciled to the Comprehensive Income and Expenditure Statement. The adjusting entries between the two viewpoints are set out in the two tables shown overleaf (one for each of this year of account 2017/18 and 2016/17).

Adjustment between Funding and Accounting Basis

Adjustment from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2017/18 Adjustment for Capital Purpose £000	Net Change for Pensions Adjustment £000	Other differences £000	Total Adjustment £000
GENERAL FUND RESERVES				
Managing Director	0	(8)	2	**(6)**
Community Wellbeing	(1,051)	(452)	(1)	**(1,504)**
Finance	(115)	1,851	2	**1,738**
Place	(1,848)	(170)	(8)	**(2,026)**
Housing GF	(13)	(134)	(1)	**(148)**
Governance	0	(441)	(4)	**(445)**
Housing HRA	(23,942)	520	(4)	**(23,426)**
Net Cost of Services	(26,969)	1,166	(14)	**(25,817)**
Other Income and Expenditure from the Expenditure Funding Analysis	(13,465)	(2,767)	1,902	**(14,330)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Stetement Surplus or deficit on the provision of service	(40,434)	(1,601)	1,888	**(40,147)**

Adjustment between Funding and Accounting Basis

Adjustment from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2016/17 Adjustment for Capital Purpose £000	Net Change for Pensions Adjustment £000	Other differences £000	Total Adjustment £000
GENERAL FUND RESERVES				
Managing Director	0	(13)	0	(13)
Community Wellbeing	0	(3,451)	(2)	(3,453)
Finance	0	1,536	(4)	1,532
Place	(7,569)	3,267	(3)	(4,305)
Housing GF	0	(93)	1	(92)
Governance	0	(96)	(2)	(98)
Housing HRA	(28,618)	11,106	(2)	(17,514)
Net Cost of Services	(36,187)	12,256	(12)	(23,943)
Other Income and Expenditure from the Expenditure Funding Analysis	(5,611)	(3,521)	(1,062)	(10,194)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Stetement Surplus or deficit on the provision of service	(41,798)	8,735	(1,074)	**(34,137)**

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (page 24).

A requirement of the code of practice is to present expenditure and income according to their nature. The following table provides the required analysis of what is included in the surplus/ deficit on the provision of services within the Comprehensive Income and Expenditure Statement. This was, again, a new requirement in 2016/17 and a planned review of the reporting methodology used has identified improvements to be incorporated. For this reason a restated table is presented in order to realign a small number of items of income and expenditure and in order to remove the impact of internal revenue recharges within services (as subsequently recommended by CIPFA codes of practice).

Expenditure and Income by Nature	2017/18 £000s	Restated 2016/17 £000s
Expenditure		
Employee Benefits Expenses	20,337	22,238
Other Services Expenses	66,672	65,057
Depreciation, Amortisation & Impairment	39,906	50,669
Interest Payments	7,034	10,370
Payment to Housing Capital Receipts Pool	2,230	6,379
Settlement for Pensions		(9,525)
Loss / (Gain) on the Disposal of Assets	12,827	1,415
Total Expenditure	**149,006**	**146,603**
Income		
Fees, Charges and Other Services Income	(61,859)	(64,821)
Interest and Investment Income	(401)	(834)
Income from Council Tax and Business Rates	(11,674)	(10,013)
Government Grants and Contributions	(38,057)	(41,329)
Income recharges	(118)	(716)
Total Income	**(112,109)**	**(117,713)**
Surplus or deficit on the provision of service	**36,897**	**28,890**

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out from page 31, 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:

- As a result of regularly changing and complex funding mechanisms set by Central Government, 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 £2.637m.

The Council's share of which is £1.055m (40%), which is reflected in the Accounts. An increase in the success rate of 5% would increase the provision by £0.132m, increasing the deficit on the Collection Fund, and increasing the Council's liability by £0.053m. 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 a thirty-year period. Recent legislative changes to reduce rents over a four-year period, commencing from April 2016, have been reflected in the Council's 30-year Plan.
- Interest in Companies and other Entities:

  During 2017/18 the Council has maintained interests in the following companies:

  HTS (Property and Environment) Limited - a wholly owned subsidiary of HTS Group Limited, which was incorporated 24 December 2015. The company was established to deliver property maintenance and a range of environmental services for the Council. It has one fully paid up ordinary share held by HTS Group Limited. The company commenced trading on 1 February 2017. The first accounting year of the company covered the period from 1 February 2017 to 31 March 2018. In Group Accounts, incorporated within this year's Statement of Accounts, figures for 2016/17 relate to the first two months of trading (to 31 March 2017) and figures for 2017/18 reflect the following twelve months (1 April 2017 to 31 March 2018).

  Kier Harlow Limited - an associated company of Harlow District Council which, until 31 January 2017, provided property maintenance services to the Council. Until around July 2018 the Council maintained a 19.9% share in the Company. Following the expiry of the services contract held by the Council with Kier Harlow and the transfer for the provision of these services to HTS (Property and Environment) Limited after 31 January 2017 Kier Harlow Limited entered a phase of service decommissioning. 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 company, the Group Accounts do not include any amounts in 2017/18 for Kier Harlow Limited, but a disclosure is made of transactions in Note 33 to the Accounts on Related Party Transactions.

- Changes in regulations require that from 1 April 2017 the actual, unreversed, value of depreciation is recorded in the Council's Housing Revenue Account. Transfers out of the HRA to the Major Repairs Reverse (see Note H11) can no longer be made. The intention of the depreciation charge is that it acts as an approximate value for funding capital expenditure, as such arresting the deterioration in value. The Council has reviewed its HRA property portfolio with newly appointed valuers, Wilks Head & Eve, and agreed the application of a Weighted Average Remaining Useful Life (WARUL) of 45 years for flats and 46 years for houses. WARUL takes account of the lives of various components within beacon properties and produces an average weighted life.

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

The preparation of Statement of Accounts needs the Council to make judgments, estimates and assumptions that may affect amounts reported for assets and liabilities in the Balance

Sheet as well as amounts reported for the revenue and expenses during the year. Estimates are made taking into account historical experience, current trends and other relevant information. However, because we need to employ a degree of estimation, this means that actual outcomes could differ from those estimates.

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	The following provisions have been made as at 31 March 2018:- A provision of £0.955 million, in relation to the estimated impact of appeals for Business Rate valuations (see Note 20). With no substantial claims outstanding against the Council at the time of preparing the Statement of Accounts, no new significant provisions were deemed necessary to be recognised in respect of 2017/18.	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 back 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 £26,370 change in the sum provided of which Harlow's share would be £10,550. A safety net system protects the Council from losses below baseline funding levels.
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. Harlow Council Accounts include the Pension costs and	The effects on the net pension liability of changes in individual assumptions cannot be measured accurately. The assumptions interact in complex ways. During 2017/18, the Council's actuaries advised that the net pension liability had decreased by £11.884m. This was due to changes in financial assumptions (£4.725m) excess returns on Fund assets (£8.760m), and other items (£-1.601m). The final Pension liability as at 31 March 2018 is recorded as being £91.695m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	liabilities of HTS (Property & Environment) Limited.	
Arrears	At 31 March 2018, the Council had made significant provisions for doubtful debts, amounting to £6.3 million in total. Council tenant rent bad debt provision decreased to £2.714 million, providing substantial cover for non-payment of arrears. The Housing Welfare reforms will create more challenges for rent collection from 2017/18 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 £63,022.

4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

Revaluation of Council Properties

The Council has undertaken a valuation of its assets at 1 April 2017. A further exercise has then been undertaken to establish whether there has been a change in value between 1 April 2017 and 31 March 2018. For housing assets, this has resulted in a new valuation at 31 March 2018. The Council has reflected the 31 March 2018 value in the non-current asset register, reporting these movements in Note 10.

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 town's Enterprise Zone site. During the year the Council undertook the construction of a new access road to the site and this was completed in March 2017. The Council also undertook the procurement of a development partner, Vinci UK Developments Ltd, to deliver the construction of the new Science Park and the design of the site infrastructure. Construction of this commenced in the autumn of 2017, funded by the balance of both DCLG grant and additional loan finance, and this is scheduled to have been completed in June 2018. The summer of 2018 will also see the commencement of the construction of the first two buildings on the Science Park site. Further details of the Enterprise Zone, together with associated web links, are available to view on-line at

http://www.harlow.gov.uk/enterprise-zone.

Prentice Place

The refurbishment of retail, commercial and residential properties at Prentice Place is a two-year capital programme, 2017/18 being the first year. The total budget is anticipated to be £4m, just over £2m of which is funded from ring-fenced capital receipts.

Pensions

During 2016/17 the Council's contract with Kier Harlow for the provision of Housing maintenance and other related works ended. The resulting Pension Fund valuation was not incorporated in the 2016/17 Statement of Accounts, and now features as a Prior Period Adjustment of £6.450m reducing the Pension liability previously reported from £110.029m to £103.579m.
During 2017/18 a new revised IAS 19 report (a report from the pension fund actuaries acting on behalf of the Essex County Council) regarding the pooled pension fund has resulted in combined pension costs being recorded.

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 this draft publication of the Statement of Accounts up to 31 May 2018, which is the date on which the draft Statement was authorised for issue by the Council's Head of Finance.

The Statement of Accounts is scheduled to be approved by the Council's Audit and Standards Committee on 5 September 2018. Any further issues arising that materially impact upon the Balance Sheet and accounting statements between the date of issue and the date of approval will be reflected within the Statement of Accounts approved on 5 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 2017/18 (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):

2017/18	Usable Reserves: General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(2,235)	(15,541)				17,776
Revaluation losses on Property Plant and Equipment	(75)	(9,848)				9,923
Movements in the fair value of Investment Properties	117					(117)
Amortisation of intangible assets	(234)	(98)				332
Capital grants and contributions applied	662					(662)
Income in relation to donated assets						
Revenue expenditure funded from capital under statute	(557)					557
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	(1,716)	(19,715)				21,431
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	218					(218)
Capital expenditure charged against the General Fund and HRA balances	616	1,503				(2,119)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	54	42			(96)	
Application of grants to capital financing transferred to the Capital Adjustment Account					1,733	(1,733)
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	759	7,845	(8,655)			51
Use of the Capital Receipts Reserve to finance new capital expenditure			1,260			(1,260)

2017/18 continued	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	£000s
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(2,230)		2,230			
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA				(11,801)		11,801
Use of the Major Repairs Reserve to finance new capital expenditure				11,801		(11,801)
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	(5,455)	(2,733)				8,188
Employer's pensions contributions and direct payments to pensioners payable in the year	3,378	3,208				(6,586)
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	1,893					(1,893)
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	(9)	(4)				13
Total Adjustments	(4,814)	(35,331)	(5,165)	0	1,637	43,673

2016/17	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
	Usable Reserves					
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(4,794)	(18,716)				23,510
Revaluation losses on Property Plant and Equipment	(905)	(279)				1,184
Movements in the fair value of Investment Properties	14					(14)
Amortisation of intangible assets	(271)	(89)				360
Capital grants and contributions applied	496					(496)
Income in relation to donated assets						
Revenue expenditure funded from capital under statute	(1,814)					1,814
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	(518)	(10,556)				11,074
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	244					(244)
Capital expenditure charged against the General Fund and HRA balances	215	5,495				(5,710)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,426	33			(1,459)	
Application of grants to capital financing transferred to the Capital Adjustment Account					3,031	(3,031)
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	927	8,733	(9,660)			
Use of the Capital Receipts Reserve to finance new capital expenditure			3,544			(3,544)

2016/17 continued	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000s	£000s	£000s	£000s	£000s	£000s
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(6,378)		6,378			
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(15,062)		(11,053)		26,115
Use of the Major Repairs Reserve to finance new capital expenditure				11,053		(11,053)
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		1				(1)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,326)	8,909				(3,583)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,014	2,141				(5,155)
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	(1,063)					1,063
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	(8)	(3)				11
Total Adjustments	(14,741)	(19,393)	262	0	1,572	32,300

7. OTHER OPERATING EXPENDITURE

	2017/18 £000s	2016/17 £000s
Payments to the Government Housing Capital Receipts Pool	2,230	6,379
(Gains)/ Losses on the disposal of Non-Current Assets	12,827	1,415
Total	**15,057**	**7,794**

8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2017/18 £000s	Restated 2016/17 £000s	2016/17 £000s
Interest payable and similar charges	7,032	7,119	7,119
Pensions interest cost and expected return on pensions assets	2,767	3,264	3,251
Interest receivable and similar income	(193)	(369)	(369)
Income and expenditure in relation to investment properties and changes in their fair value	(117)	(151)	(138)
Other investment income	(91)	(47)	(327)
Total	**9,398**	**9,816**	**9,536**

Restatement in 2016/17 relates primarily to grant incorrectly reported as investment income.

9. TAXATION AND NON-SPECIFIC GRANT INCOME

	2017/18 £000	Restated 2016/17 £000	2016/17 £000
Council Tax income	7,225	6,964	6,964
Retained Business Rates	4,449	3,049	3,049
Revenue Support Grant	603	1,290	1,290
Non-ringfenced government grants	1,840	2,140	1,543
Capital grants and contributions	277	228	228
Total	**14,394**	**13,671**	**13,074**

Restatement in 2016/17 relates primarily to one grant incorrectly reported as investment income and one grant being incorrectly reported as specific grant.

NOTES TO THE ACCOUNTS

10. PROPERTY, PLANT AND EQUIPMENT

Movements in 2017/18

2017/18	**Property, Plant and Equipment**							
	Council Dwellings £000s	**Other Land & Buildings** £000s	**Vehicles, Plant & Equipment** £000s	**Infra-structure Assets** £000s	**Communit y Assets** £000s	**Surplus Assets** £000s	**Assets Under Construction** £000s	**Total Property, Plant & Equipment** £000s
Cost or Valuation at 1 April 2017	**693,182**	**116,017**	**6,532**	**9,148**	**947**	**8,311**	**920**	**835,057**
Additions	13,173	3,480	463	241	1	51	3,302	**20,711**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	50,623	(2,147)				9,412		**57,888**
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(22,984)	125				(49)		**(22,908)**
Derecognition - Disposals	(3,128)	(502)				(15,040)		**(18,670)**
Other movements in cost or valuation	(5,492)	284				3,137	629	**(1,442)**
Cost of Valuation at 31 March 2018	**725,374**	**117,257**	**6,995**	**9,389**	**948**	**5,822**	**4,851**	**870,636**
Accumulated Depreciation and Impairment at 1 April 2017	**0**	**(3,410)**	**(5,386)**	**(2,192)**	**(2)**	**(43)**	**0**	**(11,033)**
Depreciation Charge	(11,530)	(1,427)	(280)	(303)		(13)		**(13,553)**
Depreciation written out to the Revaluation Reserve	11,530	1,446				49		**13,025**
Depreciation written out to the Surplus/(Deficit) on the Provision of Services						2		**2**
Other movements in depreciation and impairment		57						**57**
Accumulated Depreciation and Impairment at 31 March 2018	**0**	**(3,334)**	**(5,666)**	**(2,495)**	**(2)**	**(5)**	**0**	**(11,502)**
At 31 March 2018	725,374	113,923	1,329	6,894	946	5,817	4,851	**859,134**
At 31 March 2017 (restated)	693,182	112,607	1,146	6,956	945	8,268	920	**824,024**
Variation	**32,192**	**1,316**	**183**	**(62)**	**1**	**(2,451)**	**3,931**	**35,110**

10. PROPERTY, PLANT AND EQUIPMENT CONT.

Comparative Movements 2016/17

2016/17	Property, Plant and Equipment							
	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Infra-structure Assets £000s	Communit y Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s
Cost or Valuation at 1 April 2016	**659,676**	**107,005**	**6,370**	**8,802**	**933**	**2,780**	**0**	**785,566**
Additions	18,249	3,742	165	346	14	189	920	**23,625**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	47,436	10,552				(99)		**57,889**
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(18,249)	(3,054)				(118)		**(21,421)**
Derecognition - Disposals		(74)	(16)					**(90)**
Other movements in cost or valuation	(13,930)	(2,154)	13			5,559		**(10,512)**
Cost of Valuation at 31 March 2017	**693,182**	**116,017**	**6,532**	**9,148**	**947**	**8,311**	**920**	**835,057**
Accumulated Depreciation and Impairment at 1 April 2016	**0**	**(2,958)**	**(4,746)**	**(1,915)**	**(2)**	**(39)**	**0**	**(9,660)**
Depreciation Charge	(25,752)	(1,538)	(640)	(273)		(63)		**(28,266)**
Depreciation written out to the Revaluation Reserve	25,752	1,043				56		**26,851**
Depreciation written out to the Surplus/(Deficit) on the Provision of Services		43				1		**44**
Impairment losses/(reversals) recognised in the Surplus/(Deficit) on the Provision of Services				(4)				**(4)**
Other movements in depreciation and impairment						2		**2**
Accumulated Depreciation and Impairment at 31 March 2017	**0**	**(3,410)**	**(5,386)**	**(2,192)**	**(2)**	**(43)**	**0**	**(11,033)**
At 31 March 2017 (restated)	693,182	112,607	1,146	6,956	945	8,268	920	**824,024**
At 31 March 2016	659,676	104,047	1,624	6,887	931	2,741	0	775,906
Variation	**33,506**	**8,560**	**(478)**	**69**	**14**	**5,527**	**920**	**48,118**

Final audit adjustments to the Statement of Accounts for 2016/17 did not accurately reflect transferred assets from one category to another. As at 31 March 2017 the value of Council Dwellings increased by £24,000, from £693,158,000 to £693,182,000 and the value of Surplus Assets increased by £470,000, from £7,798,000 to £8,268,000. The value of Assets Held For Sale (see Note 18) decreased by £494,000, from £2,991,000 to £2,497,000.

i. Depreciation

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

- Council Dwellings – assessed on the basis of a Weighted Average Remaining Useful Life, flats have been calculated at 45 years, houses at 46 years (2016/17 : 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

As at 31 March 2018 the Council had entered into a number of contracts for enhancement to Property, Plant and Equipment and other assets in 2017/18 and future years, budgeted at £7,912,054. Similar commitments at 31 March 2017 were £6,717,000. The major commitments as at 31 March 2018 are:

Scheme	Future Commitment £000s
Housing	4,339
Enterprise Zone	2,905
Prentice Place	430
Market Square	133
Commercial Properties	29
Sports and Leisure	76
Total Capital Commitments	7,912

iii. Revaluations

The Council revalued its entire asset portfolio as at 1 April 2015, this being the beginning of a new five-year cycle. A proportion of non-housing assets, including all council garages, were revalued at 1 April 2017 by the Council's property valuation advisers, Wilks Head and Eve LLP. Wilks Head and Eve also undertook the annual revaluation of Council dwellings as at 1 April 2017. An assessment of the value of all assets was also undertaken as at 31 March 2018. Where changes have occurred, these are reflected within the Balance Sheet as at that date.

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

Investment Properties – All Investment Properties are revalued annually.

Other Land and Buildings – All assets were valued as at 1 April 2015 and are subject to a rolling review over the following four financial years (2016/17 to 2019/20).

Surplus Assets - Surplus assets includes 55 Council dwellings scheduled for demolition as a result of the Priority Estates project.

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 11 Listed Properties).

Council Dwellings - Housing Beacons were valued by Wilks Head and Eve as at 1 April 2017 as part of the valuation process and reviewed as at 31 March 2018. The number of dwellings pending disposal 31 March 2018 was 20, made up of 18 pending 'Right To Buy' sales and 2 long-term voids subject to auction during 2018/19. 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	356,857	59,500	1,194	1,462	419,013
Valued at fair value as at:					
31 March 2018	725,385	113,221	1,329	5,813	845,747
31 March 2017 (restated)	693,182	112,607	1,146	8,087	815,022
31 March 2016	663,348	106,247	1,624	2,738	773,957
31 March 2015	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

11. HERITAGE ASSETS

The heritage assets held by the Council fall into three categories and are held for their intrinsic value as opposed to potential financial gain. As such, they are unlikely to be sold.

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 2016	612	154	873	1,639
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	(16)	(16)
Depreciation	0	(1)	0	(1)
as at 31 March 2017	612	153	857	1,622
Cost or valuation:				
as at 1 April 2017	612	153	857	1,622
Revaluations	0	1	0	1
Depreciation	0	(1)	0	(1)
as at 31 March 2018	**612**	**153**	**857**	**1,622**

ARTEFACTS HELD AT MUSEUM OF HARLOW

Harlow Council's collection of artefacts is reported on the Balance Sheet at the insurance value as assessed by Lyon and Turnbull in April 2010. These assets are deemed to have an indeterminate life and the Council does not consider it necessary to provide for depreciation.

Acquisition 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 2017/18.

FINE ARTS, INCLUDING SCULPTURE CIVIC GIFTS AND REGALIA

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, together with three paintings 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 the Council therefore does not consider it necessary to provide for depreciation.

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.

Other items include a variety of gifts received through civic visits and three Chains of Office. Being of low monetary value, these are excluded from the Balance Sheet.

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 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 listed in the Fine Arts Schedule and are deemed to have an indeterminate life, such that the Council does not consider it appropriate to provide for depreciation.

Listed Properties

Harlow has many Listed Buildings within the Town, some of which are owned by the Council and used for housing. These are operational assets, included on the Balance Sheet in the relevant category and valued as such.

Archaeological Sites

The Council owns a number of archaeological and historic sites within the town. These include a Roman Temple, the Site of Little Parndon Hall adjacent to Little Parndon Church, two red brick piers with free stone caps dating from the 17th century at Canons Brook, the Garden Wall at Passmores House (part of the remains of a moated medieval site and later a 16th century Manor House), and two unexcavated Tumuli close to Gilden Way with 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 2017/18.

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.

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.

Donated Heritage Assets:

No Heritage Assets have been donated in the financial year 2017/18.

12. 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:

	2017/18 £000s	**2016/17** £000s
Rental income from investment property	123	124
Net gain/(loss)	**123**	**124**

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 (overleaf) summarises the movement in the fair value of Investment Properties over the year:

Movement in the fair value of Investment Properties	**2017/18**	**2016/17**
	£000s	£000s
Balance at start of the year (1 April)	1,789	1,790
Additions:		
Subsequent Expenditure	50	-
Disposals:		
Net gains/ (losses) from fair value adjustments	67	(1)
Balance at end of the year (31 March)	**1,906**	**1,789**

Councils should 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 on 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.

13. 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 Regeneration.
10 years	None	None

The Council does not have any internally generated intangible assets.

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

	2017/18	2016/17
Movement on Intangible Asset Balances	£000s	£000s
Balance at start of year:		
- Gross carrying amounts	3,895	3,665
- Accumulated amortisation	(2,941)	(2,576)
Net carrying amount at start of year	**954**	**1,089**
Additions:		
- Purchases	144	229
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	1	(4)
Amortisation for the period	(333)	(360)
Other changes	0	0
Net carrying amount at end of year	**766**	**954**
Comprising:		
- Gross carrying amounts	4,039	3,895
- Accumulated amortisation	(3,273)	(2,941)
	766	**954**

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

	Carrying Amount as at 31 Mar 2018 £000s	Carrying Amount as at 31 Mar 2017 £000s	Remaining Amortisation Period
Housing IT 17/18	36		5 years
Corporate GIS	19		5 years
Case Management System	35		5 years
Civica 17-18	53		5 years
Corporate GIS	7	8	4 years
Housing IT Development (2016/17)	35	44	4 years
Agresso 2016/17	133	166	4 years
Civica Transformation Project	59	79	3 years
Commvault Backups	10	13	3 years
Agresso 2015/16	16	22	3 years
AD / Exchange Software	14	19	3 years
Housing IT Development (2015/16)	19	26	3 years
Housing IT Development (2014/15)	69	103	2 years
IT Non Hardware 2014/15 (including Accolaid system)	32	48	2 years
Housing IT Development (2013/14)	19	55	1 year
IT Non Hardware 2013/14 (incl Committee Management System)	6	12	1 year
Housing IT Development (2012/13)		29	
Total	**562**	**624**	

14. 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 35,
- guarantees given on loans borrowed by Home Housing Association (see Note 38),
- 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 done so 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 35,
    - 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 2018	as at 31 Mar 2017	as at 31 Mar 2018	as at 31 Mar 2017
	£000	£000	£000	£000
Investments				
Loans and receivables			11,433	10,714
Available-for-sale financial assets	1,955	1,866	25,470	23,863
Total Investments	**1,955**	**1,866**	**36,903**	**34,577**
Debtors				
Loans and receivables	1,417	1,680		
Financial assets carried at contract amounts			9,879	6,774
Total included in Debtors	**1,417**	**1,680**	**9,879**	**6,774**
Borrowings				
Financial liabilities at amortised cost	211,837	211,837	81	81
Total included in Borrowings	**211,837**	**211,837**	**81**	**81**
Creditors				
Financial liabilities carried at contract amount	383	317	10,561	9,115
Total included in Creditors	**383**	**317**	**10,561**	**9,115**

Investment in Property Fund: Long-term investment

The Council commenced an investment of £2 million during 2015/16 in CCLA, a specialist property fund available only to local authority investors. The units in the fund are valued based on the overall valuation of the property portfolio. 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 2018 based on the redemption value as at that date. The change in valuation has then been credited to “Other Comprehensive Income and Expenditure” in the Comprehensive Income and Expenditure Statement. When the Council redeems these investments, the excess over the original sum invested 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.

The Council has invested in this fund as a mid to long-term investment option to achieve an attractive income and capital growth over time. As at 31 March 2018, the fair value of the CCLA property fund was £1,955,000 (as at 31 March 2017: £1,866,000), a gain of £89,000 over the previous 12 months - assessed at Level 1 hierarchy, unadjusted quoted prices in active markets for identical shares. As expected for this type of fund, the value of the Council’s holding this early is lower than the initial investment because of costs incurred in the purchase of property (Stamp Duty and other purchasing costs) and, despite an initial rise in capital value, the result of the European Union Referendum in June 2016 created uncertainty in the economy and a lowering of values. 2017/18 has seen a gradual restoration of the value. Meanwhile, the net return from the performance of the fund in the 12 months to 31 March 2018 was +4.54%.

Short-term investment

The Council's short-term investments may be separated into four types:

i. The Council invested in the Royal London Cash Plus Fund during 2017/18. Amounts invested are fully liquid. The total amount invested in this product as at 31 March 2018 was £2 million, with a fair value of £1,999,575, a loss of £425. This investment type is assessed as Level 1 in the fair value hierarchy (i.e. unadjusted quoted prices in active markets for identical shares), and all holdings are regarded as a short-term investments (periods from investment to maturity exceeding 3 months but within one year).

ii. A further £11.3m is classified as other short-term investment (period from investment to maturity exceeding 3 months but within one year).

iii. The remaining £22.19m of invested cash balances (i.e. principal investments excluding accrued interest and cash at bank) is included within the Cash and Cash Equivalents (Note 17).

iv. The Council ceased investing in Certificates of Deposit during 2017/18. The fair value gain of £20,000 at 31 March 2017 is therefore reversed out as at 31 March 2018.

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 shown below:

Soft Loans	**2017/18**	2016/17
	£000s	£000s
Opening Balance at start of year	22	44
Nominal value of new loans granted in the year	9	0
Loans repaid	(16)	(24)
Other changes	0	1
Closing Balance at end of year	**15**	**21**
Nominal (cash) Value at 31 March	**16**	**23**

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:

Financial Instruments Income, Expense, Gains and Losses	Financial Liabilities	Financial Assets		2017/18 Total	2016/17 Total
	Amortised Cost	Loans & Receivables	Available-for-Sale Assets		
	£000s	£000s	£000s	£000s	£000s
Total interest payable and similar charges					
Interest expense	7,032	0	0	7,032	7,025
Total income in Surplus or Deficit on the Provision of Services					
Interest income	0	(193)		(193)	(364)
Dividend income			(91)	(91)	
Total income in Surplus or Deficit on the Provision of Services	**0**	**(193)**	**(91)**	**(284)**	**(364)**
Net (gain)/ loss for the year	**7,032**	**(193)**	**(91)**	**6,748**	**6,661**

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 2018, 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 2018 is sourced from PWLB. PWLB is a statutory body operating within 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 2017/18.);
- 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 2018		as at 31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000s	£000s	£000s	£000s
Financial Liabilities				
Loans Borrowed	211,837	243,864	211,837	252,975
Trade payables	10,944	10,944	9,431	9,431
Total Liabilities	**222,781**	**254,808**	**221,268**	**262,406**
Financial Assets				
Investment Balances	37,547	37,527	35,942	35,963
Loans for Service Purposes	1,417	1,417	1,680	1,680
Trade Receivables	9,879	9,879	6,774	6,774
Total Assets	**48,843**	**48,823**	**44,396**	**44,417**

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.

15. INVENTORIES

Consumables Stores	**2017/18**	**2016/17**
	£000s	£000s
Balance Outstanding at Start of Year (1 April)	34	26
Purchases	291	275
Recognised as an expense in the year	(288)	(267)
Written-off balances	(4)	0
Reversals of write-offs in previous years	0	0
Balance Outstanding at End of Year (31 March)	**33**	**34**

16. DEBTORS

The table below shows the amount that was owed to the Council at 31 March 2018 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

	Balance as at 31 March 2018 £000s	Balance as at 31 March 2017 £000s
Central government bodies	1,516	1,547
Other local authorities	308	278
Other entities and individuals	11,243	9,186
Total	**13,067**	**11,011**

17. CASH AND CASH EQUIVALENTS

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

	Balance as at 31 March 2018 £000s	Balance as at 31 March 2017 £000s
Cash held by the authority	8	13
Bank current accounts	1,391	623
Short-term deposits with financial institutions	24,204	19,894
Total	**25,603**	**20,530**

18. ASSETS HELD FOR SALE

	2017/18 £000s	2016/17 Restated £000s	2016/17 £000s
Balance outstanding at start of year	2,497	2,382	2,382
Assets newly classified as held for sale:			
- Property, Plant and Equipment	1,457	10,600	11,094
Revaluation gains	635	873	873
Impairment losses		(373)	(373)
Assets sold	(3,061)	(10,985)	(10,985)
Balance Outstanding at Year-end	**1,528**	**2,497**	**2,991**

Final audit adjustments to the Statement of Accounts for 2016/17 did not accurately reflect transferred assets from one category to another. As at 31 March 2017 the value of Assets Held For Sale decreases by £494,000, from £2,991,000 to £2,497,000. In Note 10, the value of Council Dwellings increases by £24,000, from £693,158,000 to £693,182,000 and the value of Surplus Assets increases by £470,000, from £7,798,000 to £8,268,000.

19. CREDITORS

The table below shows the amount that the Council owed as at 31 March 2018 to third parties, together with amounts received by the Council in advance of supply of goods or services.

	Balance as at 31 March 2018 £000s	Balance as at 31 March 2017 £000s
Central government bodies	2,257	3,943
Other local authorities	2,232	2,931
Other entities and individuals	11,796	10,247
Total	**16,285**	**17,121**

20. PROVISIONS

There are no provisions required to be held by the Council in relation to outstanding legal cases.

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 borne 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 £2.389m has been set aside (£2.637m in 2016/17). Of this, 40% (£0.956m in 2017/18, and £1.055m in 2016/17) 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 an outstanding liability in respect of one material asbestos-related claim at the balance sheet date.

The total values for Provisions held at 31 March 2018 are shown in the table below (see overleaf).

Short-Term Provisions	Injury and Damage Compensation Claims	Business Rates Appeals	Other Provisions	Total
	£000	£000	£000	£000
Balance as at 31 March 2016	**23**	**2,078**	**215**	**2,316**
Additional provisions made in 2016/17	0	0	0	0
Amounts used in 2016/17	(19)	(494)	(163)	(676)
Unused amounts reversed in 2016/17	0	(529)	0	(529)
Balance as at 31 March 2017	**4**	**1,055**	**52**	**1,111**
Additional provisions made in 2017/18	49	543	100	692
Amounts used in 2017/18	(43)	(643)	0	(686)
Unused amounts reversed in 2017/18	0	0	0	0
Balance as at 31 March 2018	**10**	**955**	**152**	**1,117**

21. USABLE RESERVES

The Council holds a number of usable reserves. There are a variety of types of usable reserves. Although they are classified as “Usable”, some carry contractual restrictions on their use. It is also important to keep separate those reserves that are aligned with the General Fund and those that are aligned with the Housing Revenue Accounts.

The General Fund Balance and HRA Balance are working balances that the Council deems necessary to allow the continuity of its operations and services to the public on an ongoing basis as well as providing a contingency against emergencies and risk from adverse fluctuations in costs impacting upon the Council.

Earmarked reserves contain money that the Council has approved to be set aside for a range of specific purposes, including:

- to fund future investment in revenue and capital projects,
- to cover the cost of long-term community obligations “in perpetuity”, such as grounds maintenance and the cleaning of specific public spaces,
- to support discretionary services that are of value to the local community,
- to support the provision of town development opportunities, and
- as a managed contingency measure to protect against a range of future events, emergencies or liability risks.

Harlow Council’s total usable reserve balances as at 31 March 2018 total £51,581,000 (£44,803,000 as at 31 March 2017) and are listed in the table below:

Usable Reserves	2017/18 £000s	2016/17 £000s
General Fund Balance	6,735	5,459
HRA Balance	14,104	12,975
Earmarked Reserves		
General Fund	13,684	13,091
HRA	4,506	4,434
Earmarked Grants Reserves	3,548	3,370
Capital Grants Unapplied	1,946	3,582
Capital Receipts Reserve	7,058	1,892
Total Usable Reserves at end of the year (31 March)	**51,581**	**44,803**

Reserve Descriptions:

General Fund Balance - The main revenue fund of the Council. 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 managed by the Council in accordance with the Local Government and Housing Act 1989, as amended, setting out expenditure and income from council-managed 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 later in this note; 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.

Transfers To/ From Earmarked Reserves

The table overleaf sets out the movements into and out of earmarked reserves for the financial year. These movements into earmarked reserves are made to provide financing for future expenditure plans and the amounts posted back are to meet General Fund and HRA expenditure. It should be noted that these reserves represent financing means only, designated for either the General Fund or Housing Revenue Account (not both) and for this reason transactions are only made between each reserve and either the General Fund or HRA, as appropriate. Explanations for the existence of each reserve are provided below the table.

Earmarked Reserve	Balance as at 31 Mar 2016 £000s	2016/17 Transfers Out £000s	2016/17 Transfers In £000s	Balance as at 31 Mar 2017 £000s	2017/18 Transfers Out £000s	2017/18 Transfers In £000s	Balance as at 31 Mar 2018 £000s
GENERAL FUND RESERVES							
Perpetuity Reserves	943	(4)	7	946	(4)	5	947
Debt Financing Reserve	1,883	(133)	238	1,988	0	238	2,226
Discretionary Services Fund	3,095	(1,594)	787	2,288	(1,459)	721	1,550
Environment Reserve	115	0	1	116	0	4	120
Housing Benefits Subsidy Reserve	536	0	0	536	0	157	693
Insurance claims - GF	533	0	50	583	(12)	50	621
Insurance Fund - GF	1,205	(25)	122	1,302	(9)	121	1,414
Invest To Save Reserve	399	(101)	3	301	(75)	1	227
Partnership Fund	200	0	0	200	0	0	200
Planning Reserve	170	(65)	0	105	(223)	600	482
Regeneration and Enterprise Reserve	420	(56)	916	1,280	(56)	176	1,400
Regeneration Reserve	1,000	0	0	1,000	(64)	0	936
Residual Land Transfer	135	(4)	0	131	0	0	131
Revenues and Benefits Service Structural Process Review Reserve	87	0	0	87	0	0	87
Risk Management Reserve	157	0	40	197	0	40	237
Severance Reserve	1,537	0	390	1,927	0	193	2,120
Standards Committee Contingency	50	0	0	50	0	0	50
Street Lighting Reserve	54	0	0	54	(11)	0	43
The Harlow & Gilston Garden Town Funding Reserve	0	0	0	0	0	160	160
Volunteering Support Reserve	0	0	0	0	0	40	40
Total General Fund	**12,519**	**(1,982)**	**2,554**	**13,091**	**(1,913)**	**2,506**	**13,684**
HRA RESERVES							
Perpetuity Reserves	1,495	(351)	452	1,596	(377)	379	1,598
Housing Insurance Property Reserve	0	0	10	10	0	10	20
HRA OJEU Contract 2015	403	(219)	0	184	(126)	0	58
Insurance claims - HRA	530	0	50	580	(37)	50	593
Insurance Fund - HRA	1,697	(132)	222	1,787	(107)	221	1,901
Risk Management Reserve	217	0	60	277	0	60	337
Total HRA	**4,342**	**(702)**	**794**	**4,434**	**(647)**	**720**	**4,507**
EARMARKED GRANTS RESERVES							
General Fund	1,033	(226)	2,563	3,370	(60)	238	3,548
Total Earmarked Grants	**1,033**	**(226)**	**2,563**	**3,370**	**(60)**	**238**	**3,548**
Total All Earmarked Reserves	**17,894**	**(2,910)**	**5,911**	**20,895**	**(2,620)**	**3,464**	**21,739**

Some reserves are held for statutory purposes or for expenditure outside the Council's control, and are referred to as "Unusable Reserves" (see Note 22, below).

Earmarked 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.
Debt Financing Reserve	Established to finance future costs falling upon the General Fund in relation to borrowing.
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 future "deficits" are required to be 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.
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.
Regeneration and Enterprise Reserve	This reserve is to ensure that the Council has sufficient resources to support Harlow town regeneration.

Regeneration Reserve	This reserve has been established to finance future costs relating to the regeneration of the Town Centre.
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.
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.
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.
Street Lighting Reserve	This reserve was established following the reinstatement of all-night street lighting in Harlow and is specifically allocated to meet any future increases in the energy costs associated with the all-night street light initiative over the life of the HDC/ ECC agreement.
The Harlow & Gilston Garden Town Funding Reserve	Established to contribute towards the Gilston Garden Town project and other developments in and around Harlow ensure the maximum benefits for Harlow are achieved, particularly in terms of affordable housing and skills and employment initiatives.
Volunteering Support Reserve	To support an initiative aligned with residents' time spent volunteering that has positive health and wellbeing benefits.

Earmarked Reserve Descriptions – HRA:

Perpetuity Reserves	As described under the General Fund, above.
Housing Insurance Property Reserve	A new reserve established in 2016/17 to provide financing for unscheduled costs arising in the longer-term from housing asbestos repairs and maintenance
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. This mechanism is also applied to annual cash in-flows from Business Rates that are required to be distributed to the Government and preceptors but for which income is required to be recognised in the year of account.

The balance in General Fund and HRA earmarked reserves increased by a net of £0.665m between 2016/17 and 2017/18, excluding earmarked grants reserves. The main reasons for the movements have arisen following the revised estimates for reserves that were made mid-year and include:

£118,000	Drawings from Self-Insurance Reserve lower than estimated.
£157,000	With the volatility of the Housing Subsidy budget, this sum was set aside to cover future variations.
£349,000	An additional sum has been set aside in the Planning Reserve to support the ongoing delivery of the Local Plan.
£160,000	Establishment of a new reserve as a means of contributing towards the benefits for the town from the Harlow and Gilston Garden Town project and other developments in and around Harlow.
(£64,000)	Additional drawings from the Regeneration Reserve to finance work related to Harlow Place marketing activities.

22. UNUSABLE RESERVES

	Balance as at 31 March 2018	Balance as at 31 March 2017 Restated	Balance as at 31 March 2017
	£000s	£000s	£000s
Revaluation Reserve	431,030	376,440	376,440
Available for Sale Financial Instruments Reserve	(47)	(113)	(113)
Capital Adjustment Account	203,093	227,186	227,186
Financial Instruments Adjustment Account	(2)	(2)	(2)
Deferred Capital Receipts Reserve	730	743	743
Pensions Reserve	(91,696)	(103,579)	(110,028)
Collection Fund Adjustment Account	2,229	336	336
Accumulated Absences Account	(61)	(48)	(48)
Total Unusable Reserves	**545,276**	**500,963**	**494,514**

NOTES TO THE ACCOUNTS

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	**2017/18**		**2016/17**	
	£000s	£000s	£000s	£000s
Balance at 1 April		**376,440**		**306,750**
Upward revaluation of assets	78,483		86,523	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,782)		(66)	
		74,701		86,457
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(1,036)		(1,530)	
Difference between fair value depreciation and historical cost depreciation	(7,913)		(14,563)	
Accumulated gains on assets sold or	(11,162)		(674)	
Amount written off to the Capital Adjustment Account		(20,111)		(16,767)
Balance as at 31 March		**431,030**		**376,440**

Capital Adjustment Account

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

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

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

Capital Adjustment Account	2017/18		2016/17	
	£000s	£000s	£000s	£000s
Balance at 1 April		**227,187**		**250,354**
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	(29,618)		(49,602)	
- Revaluation losses on Property, Plant and Equipment	(9,899)		(1,181)	
- Amortisation of intangible assets	(332)		(360)	
- Revenue expenditure funded from capital under statute	(557)		(1,814)	
- 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	(21,696)		(11,075)	
		(62,102)		(64,032)
Adjusting amounts written out of the Revaluation Reserve		20,111		16,768
Net written out amount of the cost of non-current assets consumed in the year		(41,991)		(47,264)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	1,247		3,500	
- Use of the Major Repairs Reserve to finance new capital expenditure	11,801		11,054	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	663		3,603	
- Application of grants to capital financing from the Capital Grants Unapplied Account	1,733		0	
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	218		244	
- Capital expenditure charged against the General Fund and HRA balances	2,119		5,710	
		17,780		24,110
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		117		(13)
Balance as at 31 March		**203,093**		**227,187**

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 2017/18 for £218,000 (2016/17: £134,000). No MRP is required in respect of the HRA.

b. 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	**2017/18** £000s	**2016/17 Re-stated**	**2016/17** £000s
Balance at 1 April	**(103,579)**	**(94,184)**	**(94,184)**
Actuarial gains/(losses) on pensions assets and liabilities	13,484	(18,132)	(15,057)
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	(8,186)	3,582	(5,864)
Employer's pensions contributions and direct payments to pensioners payable in the year	6,585	5,155	5,076
Balance as at 31 March	**(91,696)**	**(103,579)**	**(110,029)**

c. 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	2017/18 £000s	2016/17 £000s
Balance at 1 April amended post closure	**743**	**786**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(14)	(42)
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
Balance as at 31 March	**730**	**743**

d. 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	2017/18 £000s	2016/17 £000s
Balance at 1 April	**336**	**1,399**
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	**1,893**	**(1,063)**
Balance as at 31 March	**2,229**	**336**

e. 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.

	2017/18		2016/17	
	£000s	£000s	£000s	£000s
Balance at 1 April		**(48)**		(37)
Settlement or cancellation of accrual made at the end of the preceding year	48		37	
Amounts accrued at the end of the current year	(61)		(48)	
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)		(11)
Balance as at 31 March		**(61)**		**(48)**

f. 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.

g. 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.

23. OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2017/18 £000	2016/17 £000
Interest Received	158	369
Interest Paid	7,010	(7,119)
Dividends Received	90	327
Net Cash Flows from Operating Activities	**7,258**	**(6,423)**

24. INVESTING ACTIVITIES

	2017/18 £000	2016/17 £000
Purchase of property, plant and equipment, investment property and intangible assets	(19,211)	(27,286)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,776	9,660
Proceeds from short-term and long-term investments	0	2,032
Other receipts from investing activities	0	1,820
Net Cash Flows from Investing Activities	**(10,435)**	**(13,774)**

25. FINANCING ACTIVITIES

	2017/18 £000	2016/17 £000
Other receipts from financing activities	1	1,063
Repayments / (Payment) of short- and long-term borrowing	0	(1)
Other payments for financing activities	(1,503)	(2,173)
Net Cash Flows from Financing Activities	**(1,502)**	**(1,111)**

26. ACQUIRED AND DISCONTINUED OPERATIONS

The Council has neither acquired nor discontinued any material operations during the financial year 2017/18.

27. ACCOUNTING STANDARDS ISSUED NOT ADOPTED

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

For 2017/18 the following accounting standard changes that need to be reported relate to:

IFRS 9 - Financial Instruments

The Council will adopt IFRS 9 Financial Instruments with effect from 1 April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. There is current uncertainty on the impact of IFRS9 and the resulting accounting transactions; this is likely to be informed by a potential statutory override. To this end, effective from 1 April 2018 the Council plans to irrevocably elect to present changes in the fair value of the following equity investments in other comprehensive income:

- CCLA. The Local Authorities' Property Fund

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (e.g. bank deposits and bonds).

IFRS 15 - Revenue from Contracts with Customers (including amendments to IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers)

The Council will adopt IFRS 15 with effect from 1 April 2018. The main changes include the a new definition of income which will have consequential effects on Inventories, debtors and creditors and the application of a loss allowance based on the lifetime expected credit loss.

The Council does not expect these changes to have a material effect.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The Council will adopt IFRS 15 with effect from 1 April 2018 although it will have limited application. IAS 12 is not expected to be relevant to an authority's single entity financial statements. Harlow Council's Group entities will account for their own tax; however, a consolidation adjustment may be required in the Group Accounts where group entities have accounted for tax under UK GAAP.

The Council does not expect these changes to have a material effect.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

The Council will adopt the IAS 7 changes from the 1 April 2018, and will provide additional disclosures including changes in liabilities arising from financial activity including both changes arising from cash flows and changes arising from non-cash flows.

The Council does not expect these changes to have a material effect.

28. MEMBERS' ALLOWANCES

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

	2017/18 £000s	**2016/17** £000s
Allowances	176	177
Expenses	8	8
Total	184	**185**

29. OFFICERS' REMUNERATION

The remuneration paid to the Council's senior employees in 2017/18, including comparatives for 2016/17 was as follows (overleaf). The figures included in the 2017/18 statement covers a period of senior management restructuring. The restructure saw both the Chief Executive and Chief Operating Officer posts being deleted and replaced with one post of Managing Director. The Head of Governance was appointed as Interim Managing Director before being employed as Managing Director.

Senior Employees **Post Title**	**Salary (Including fees & Allowances)**	**Compensation for Loss of Office**	**Total Remuneration excluding pension contributions 2017/18**	**Pension contributions**	**Total Remuneration including pension contributions 2017/18**
2017/18	**£**		**£**	**£**	**£**
Managing Director	56,878	0	56,878	0	56,878
Chief Operating Officer	37,627	0	37,627	106,654	144,281
Chief Executive	74,116	82,395	156,511	0	156,511
Project Director (Enterprise Zone)	91,805	0	91,805	14,964	106,769
Head of Finance	88,612	0	88,612	14,444	103,056
Head Of Housing	85,112	0	85,112	13,873	98,985
Head of Place	85,112	0	85,112	13,873	98,985
Head of Community and Wellbeing	81,520	0	81,520	13,288	94,808
Head of Governance	47,045	0	47,045	0	47,045
	647,827	82,395	730,222	177,096	907,318

Senior Employees - comparatives **Post Title**	**Salary (Including fees & Allowances)**	**Compensation for Loss of Office**	**Total Remuneration excluding pension contributions 2016/17**	**Pension contributions**	**Total Remuneration including pension contributions 2016/17**
2016/17	**£**		**£**	**£**	**£**
Chief Operating Officer	108,762	0	108,762	15,879	124,641
Chief Executive	99,884	0	99,884	0	99,884
Project Director (Enterprise Zone)	90,896	0	90,896	13,271	104,167
Head of Finance	84,769	0	84,769	12,377	97,146
Head Of Housing	81,269	0	81,269	11,865	93,134
Head of Place	81,269	0	81,269	11,865	93,134
Head of Community and Wellbeing	75,986	0	75,986	11,094	87,080
Head of Governance	69,848	0	69,848	0	69,848
	692,683	0	692,683	76,351	769,034

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 2017/18 Total	2016/17 Total
£50,000 – £54,999	12	14
£55,000 – £59,999	5	2
£60,000 – £64,999	0	0
£65,000 – £69,999	0	1
£70,000 – £74,999	0	0
£75,000 – £79,999	0	1
£80,000 – £84,999	1	3
£85,000 – £89,999	3	0
£90,000 – £94,999	1	1
£95,000 – £99,999	0	1
£100,000 – £104,999	0	0
£105,000 – £109,999	0	1
£110,000 – £114,999	0	0
£115,000 – £119,999	0	0
£120,000 – £124,999	0	0
£125,000 – £129,999	0	0
£130,000 – £134,999	0	0
£135,000 – £139,999	0	0
£140,000 – £144,999	0	0
£145,000 – £149,999	0	0
£150,000 – £154,999	0	0
£155,000 – £159,999	1	0

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

Exit Package cost band including special payments	Number of Compulsory Redundancies		Number of Other Agreed Departures		Total Number of Packages		Total Cost of Exit Packages	
	2016-17 No	2017-18 No	2016-17 No	2017-18 No	2016-17 No	2017-18 No	2016-17 £	2017-18 £
£0 - £40,000	1	0	0	3	1	3	23,400	40,108
£40,001-£80,000	0	0	0	0	0	0	0	0
£80,001- £150,000	0	0	0	2	0	2	0	182,915
TOTAL	1	0	0	5	1	5	23,400	223,023

30. TERMINATION BENEFITS

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

The Council terminated the contracts of five employees in 2017/18, incurring liabilities of £223,023 (£23,400 in 2016/17) – see Note 29 for the number of exit packages and total cost per band.

31. 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:

	2017/18 £000s	**2016/17** £000s
Fees payable for external audit services carried out by the appointed auditor for the year.	78	78
Fees payable/(refunds) for external audit services carried out by the appointed auditor for previous years	(12)	0
Fees payable to external audit in relation to current year grant claims.	19	24
Fees payable to external audit in relation to prior year grant claims.	0	0
Total	**85**	**102**

32. GRANT INCOME

The Council credited the following grants, contributions and donations (see the table overleaf) to the Comprehensive Income and Expenditure Statement in 2017/18:

	2017/18 £000	Restated 2016/17 £000
Grants Credited to Taxation and Non-specific Grant Income		
Revenue Support Grant	603	1,289
Transitions Grant	25	25
Community Rights to Challenge New Burdens Grant	0	5
Section 31 Grants	667	360
New Homes Bonus Grant	896	1,210
ECC Council Tax Sharing Agreement	252	238
Capital Grants	277	228
Total	**2,720**	**3,355**
Grants Credited to Services		
DWP:		
Rent Allowances	13,673	14,758
Rent Rebates	18,611	20,338
Housing Benefit Administration	399	456
LA Data Share	20	26
LCTRS - Managing Costs	0	23
Universal Credit New Burdens Funding Payment	58	0
Business Rate Relief (New Burdens)	28	0
DWP RBI	34	0
Universal Support	22	0
Other DWP grants	31	2
MHCLG:		
Traveller Site Improvements	0	607
Disabled Facilities Grants	401	497
Self Build and Custom Housing Building Register	30	21
New Burdens Homelessness Reduction	46	0
Flexible Homelessness Support	226	0
Recycling	35	0
Food waste collection	138	133
Localising Council Tax administration	135	171
Council Tax Benefit New Burdens	0	221
Business Rates	0	360
Other MHCLG grants	37	31
HCA:		
Growth Area Funding / Programme of Development	162	596
Essex County Council:		
Enterprise Zone	187	205
Sam's Place	73	68
Inter Authority Agreement	644	629
Supporting People Grant	0	147
ECC Hardship Fund	10	12
Tipping Away	59	13
Street Games	2	5
Get Active Essex	6	10
Fraud & Error Reduction Incentive Scheme	76	29
Collection Investment Income	55	60
Other:		
Nicholls Field Pavilion	54	0
Town Park HLF	43	0
Other smaller grants	42	5
Total	**35,337**	**39,423**

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:

	2017/18 £000s	2016/17 £000s
Grants Receipts in Advance (Capital Grants)		
Programme of Development - external partners	96	244
Total	**96**	**244**

33. 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 expenditure and income analysis in Note 1, above. Grant receipts outstanding at 31 March 2018 are shown in Note 32.

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 2017/18 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 2017/18 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 (see overleaf):

Related Party Transactions 2017/18	Income £000s	Expenditure £000s	Debtors Outstanding as at 31 Mar 2018 £000s	Creditors Outstanding as at 31 Mar 2018 £000s
Essex County Council	(2,346)	(66)	373	(5)
Essex Police Authority	(25)	3	(23)	(3)
Essex Fire Authority		5	(1)	
Vine HR Ltd		9		
Harlow College	(2)	2	2	
Harlow Occupational Health		30		(3)
Harlow Sports Trust (inc Leisure Zone)	(63)	111	(1)	
Kier Harlow	23	2	404	(280)
Streets 2 Homes	(3)	27	2	(5)
Veolia Board		3,232		(18)
HTS (Property & Environment) Ltd	(1,226)	21,866	703	(1,601)
	(3,642)	25,221	1,459	(1,915)

34. 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.

	2017/18 £000s	2016/17 £000s
Opening Capital Financing Requirement	**230,009**	**226,894**
Capital Investment		
Property Plant and Equipment	20,692	25,222
Heritage Assets	0	0
Investment Properties	50	3
Intangible Assets	143	230
Revenue Expenditure funded from Capital under Statute	557	1,814
Total Capital Investment	21,442	27,269
Sources of Finance		
Capital Receipts	(1,260)	(3,544)
Major Repairs Reserve	(11,801)	(11,054)
Government Grants and Other Contributions	(2,395)	(3,602)
Direct Revenue Contributions	(2,119)	(5,710)
MRP/ Loans Fund Principal	0	(244)
Total Sources of Finance	(17,575)	(24,154)
Closing Capital Financing Requirement	**233,876**	**230,009**
Explanation of Movements in Year		
Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	3,867	3,359
Assets acquired under finance leases	0	(244)
Increase/(decrease) in Capital Financing Requirement	**3,867**	**3,115**

35. LEASES

Council as Lessee

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 2018 £000	31 March 2017 £000
Not later than one year	42	32
Later than one year and not later than five years	39	35
	81	**67**

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 2018	31 March 2017
	£000	£000
Not later than one year	50	50
Later than one year and not later than five years	9	108
Later than five years	12	13
	71	**171**

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 2018	31/03/2017
	£000	£000
Minimum lease payments	236	286
Contingent rents	12	5
Sublease payments receivable	(103)	(103)
	145	**188**

The total of future minimum sublease payments expected to be received under non-cancellable subleases as at 31 March 2018 were £2,493,833 (31 March 2017 £2,614,249).

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 73 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 2018	31 March 2017
	£000	£000
Finance lease debtor (net present value of minimum lease payments):		
- current	1	1
- non-current	304	305
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 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Not later than one year	1	1	1	1
Later than one year and not later than five years	2	2	2	2
Later than five years	302	303	302	303
	305	**306**	**305**	**306**

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, as well as the expected estimated continuation of the leases, are stated over the remaining lives of the asset:

	31 March 2018 £000s	31 March 2017 £000s
Not later than one year	917	962
Later than one year and not later than five years	2,932	3,101
Later than five years	4,466	5,075
	8,315	**9,138**

The above table relates to Property leases where the Council is lessor on operational leases. In 2017/18 £266,965 contingent rents were receivable by the authority (2016/17 £299,619).

36. 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 10; (2) an event which has caused the value of the asset to significantly deteriorate, of which there were none during 2017/18.

37. 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.

Impact on 2017/18 Accounting Statements

The accounting statements, upon cessation of the organisation, do not include Kier Harlow pension figures. Also incorporated within the single entity accounts are the HTS (Property and Environment) Ltd IAS19 reported figures.

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	2017/18 £000s	Restated 2016/17 £000s	2016/17 £000s
Comprehensive Income and Expenditure Statement			
Cost of Services:			
• Current Service Cost and settlement	5,261	(6,810)	2,596
• Past Service Cost including Curtailments	149	21	4
• Administration expenses	76	56	56
• Interest Cost	2,700	3,151	3,208
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**8,186**	(3,582)	5,864
Return on Plan Assets (excluding amount included in the net interest expense)	8,760	22,121	20,768
Other actuarial gains /(losses) on assets	0	81	80
Changes in financial assumptions	4,725	(44,439)	(40,024)
Actuarial gains/(losses) arising in the change of demographic assumptions	0	5,605	5,612
Experience loss/(gain) on defined benefit obligation	0	(1,500)	(1,493)
Total Post-employment Benefit gains/(losses) Charged to the Comprehensive Income and Expenditure Statement	**13,485**	(18,132)	(15,057)
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	(8,186)	3,582	(5,864)
Actual amount charged against the General Fund Balance for pensions in the year:			
• Employers' contributions payable to the scheme	6,585	5,155	5,076

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement in the “actuarial gains or losses line as ta 31 March 2018 was a loss of £40.071million (as at 31March 2017 it was a loss of £53.556 million) due to an actuarial loss restated 2016-17 £18.132 million and the gain during 2017/18 of £13.485 million.

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 (overleaf):-

	Funded Liabilities: Local Government Pension Scheme		
		Restated	
	2017/18	2016/17	2016/17
	£000s	£000s	£000s
Present Value of Funded Obligation	(287,692)	(286,269)	(255,369)
Fair Value of Scheme assets (bid value)	205,328	192,560	155,210
Net Liability	(82,364)	(93,709)	(100,159)
Present Value of Unfunded Obligation	9,331	9,870	9,870
Net Liability in Balance Sheet	**(91,695)**	**(103,579)**	**(110,029)**

The funded liabilities have increased by £32.3 million, while funded assets have increased by £50.2 million to reveal a net reduction of £17.9 million.

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

Local Government Pension Scheme		Restated	
	2017/18	2016/17	2016/17
	£000s	£000s	£000s
Opening balance at 1 April	**192,560**	**132,602**	**132,602**
Incorporation of HTS (Property & Environment) Ltd pensions	0	0	0
Interest income	5,184	4,796	4,593
Return on plan assets less interest	8,760	22,121	20,768
Other actuarial gains/(losses)	0	81	80
Administration expenses	(76)	(56)	(56)
Employers contributions	6,585	5,155	5,076
Contributions from employees into the scheme	1,968	884	678
Benefits paid	(9,653)	(8,503)	(8,503)
Settlement prices received / (paid)	0	35,480	(28)
Closing balance at 31 March	**205,328**	**192,560**	**155,210**

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

Local Government Pension Scheme

	2017/18		Restated 2016/17		2016/17	
Members Assumption.		£000s		£000s		£000s
Proportion of Assets Held:						
Equities	65%	134,008	68%	131,523	68%	106,012
Gilts	7%	13,659	4%	7,285	4%	5,872
Other Bonds	4%	7,628	4%	7,826	4%	6,308
Property	9%	19,477	10%	18,734	10%	15,100
Cash/ Liquidity	3%	7,061	3%	5,796	3%	4,672
Alternative Assets	7%	15,167	7%	12,842	7%	10,351
Other Managed Funds	4%	8,328	4%	8,554	4%	6,895
Total	100%	205,328	100%	192,560	100%	155,210

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	2017/18 £000s	Restated 2016/17 £000s	2016/17 £000s
Opening balance at 1 April	**296,139**	**226,786**	**226,786**
Current service cost	5,261	2,720	2,596
Interest cost	7,884	7,947	7,801
Contribution by Scheme Participants	1,968	884	678
Actuarial gains and losses from demographic assumptions	0	(5,605)	(5,612)
Actuarial gains from changes in financial assumptions	(4,725)	44,439	40,024
Experience loss/(gain) on defined benefit obligation	0	1,500	1,493
Benefits Paid	(8,938)	(7,770)	(7,770)
Past Service Cost including curtailments	149	25,971	(24)
Unfunded pension payments	(715)	(733)	(733)
Closing balance at 31 March	**297,023**	**296,139**	**265,239**

	2017/18 £000s	Restated 2016/17 £000s	2016/17 £000s	2015/16 £000s	2014/15 £000s	2013/14 £000s
Present Value of Defined Benefit						
Local Government Pension Scheme	287,692	286,269	255,369	216,551	220,704	193,941
Discretionary Benefits	9,331	9,870	9,870	10,235	11,055	10,693
Fair value of assets in the Local Government Pension Scheme	(205,328)	(192,560)	(155,210)	(132,602)	(131,866)	(117,845)
	91,695	103,579	110,029	94,184	99,893	86,789
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(82,364)	(93,709)	(100,159)	(83,949)	(88,838)	(76,096)
Discretionary Benefits	(9,331)	(9,870)	(9,870)	(10,235)	(11,055)	(10,693)
Total	**(91,695)**	**(103,579)**	**(110,029)**	**(94,184)**	**(99,893)**	**(86,789)**

Scheme History

The scheme deficit has fluctuated over the five year period and now rests at £91.695 million.

The liabilities show that the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total Pension liability of £297.023 million is offset by Pension fund assets of £205.328m resulting in a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £91.695 million. 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 2019 is £4.563 million.

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 2016.

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

	Local Government Pension Scheme	
	2017/18	**2016/17**
Life expectancy from age 65 (years):		
Retiring today:		
- Men	22.2	22.1
- Women	24.7	24.6
Retiring in 20 years:		
- Men	24.4	24.3
- Women	27.0	26.9
Rates of Inflation:		
RPI	3.3%	3.5%
CPI	2.3%	2.6%
Rate of increase in salaries	3.8%	4.1%
Rate of increase in pensions	2.3%	2.6%
Rate for discounting scheme liabilities	2.6%	2.7%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

The estimation of the defined benefit obligations is sensitive to the actual assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumptions analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is likely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, 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	292,264	297,023	301,865
Projected Service Cost	7,442	7,617	7,796
Adjustment to long term salary increase	0.1%	0.0%	-0.1%
Present Value of Total Obligation	297,267	297,023	296,781
Projected Service Cost	7,617	7,617	7,617
Adjustment to pension increases and deferred revaluation	0.1%	0.0%	-0.1%
Present Value of Total Obligation	301,626	297,023	292,492
Projected Service Cost	7,796	7,617	7,442
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	308,975	297,023	285,547
Projected Service Cost	7,860	7,617	7,382

38. 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 2018 was £3,315,155 (£3,089,012 at 31 March 2017). 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 and 1992 and for Public Liability between 1978 and 1992. Following MMI's cessation of business in 1992, all members of MMI (namely its creditors) entered into a Provisional Scheme of Arrangement in 1993. Two levy notices have been issued by the MMI Scheme Administrator in 2014 and in 2016 exercising, respectively, a 15% and a further 10% claw-back of historical claim settlements. Working in conjunction with its Insurance Actuary, the Council has been maintaining earmarked reserves as a means of financing these and potential future liabilities associated with MMI. As at 31 March 2018 the combined balances of the reserves were £1,262,924.65 after annual contributions which continue to be added to the reserves in order to cover potential future liabilities. Now that the Scheme of Arrangement has been triggered, further costs are transferred to MMI's creditors, of which the Council is one; therefore, in line with the levy notices that have been issued to date, the Council is required to meet 25% of future claims settled. 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 claw back 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 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.

Other

The Council has instigated the early termination of a contract for works relating to certain elements of the repair and maintenance of its housing stock. There are currently ongoing legal negotiations taking place to determine any financial implications for the Council as a result of this action and a counter claim has been made by the contractor involved.

39. 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 2018, the Council had one contingent asset relating to a claim it had issued against a party for damage caused to a Council property as a result of tree root encroachment.

40. 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 2017/18), which incorporates the prudential indicators, was approved by Council on 2 February 2017 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 2017/18 set this limit at £270 million.
- The Operational Boundary - this is the expected level of debt and other long-term liabilities during the year. The TMSS for 2017/18 established this boundary at £261.5 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 2017/18, which was approved by Full Council on 2 February 2017, 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 2018 that this was likely to arise.

The Council does not generally allow credit for its customers. As at 31 March 2018, £11.070 million of total Council short-term debtors is overdue for payment, as analysed in the table below (see overleaf):

	31 March 2018 £000s	31 March 2017 £000s
Less than three months	1,472	1,686
Three to five months	720	480
More than 5 months	8,877	7,503
Total	**11,070**	**9,669**

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 2018 £000s	31 March 2017 £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	41,767
10 to 20 years	125,303	83,535
20 to 30 years	44,767	83,535
30 to 40 years	0	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 2018, accrued interest of £80,500 is shown on the Balance Sheet as short-term borrowing (£80,500 as at 31 March 2017).

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 2017/18, the continued theme of the Council's Treasury Management Strategy was a diversity of its investment portfolio with a mix of pooled funds and temporary investments predominantly with local authorities.

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 2 February 2017.

Maturity Structure for External Borrowing during 2017/18	**Approved Minimum Limits**	**Approved Maximum Limits**	**31 March 2018**	**31 March 2017**
			£000s	£000s
Less than 1 year	0%	100%	0	0
1 to 2 years	0%	100%	0	0
2 to 5 years	0%	100%	0	0
5 to 10 years	0%	100%	41,767	41,767
More than 10 years	0%	100%	170,070	170,070
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 2018, £190.5m of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates and £16.2m (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	0
Increase in interest receivable on variable rate investments	(150)
Decrease in fair value of loans and receivables *	6
Decrease in fair value of fixed rate borrowings/ liabilities *	283

* 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.

41. OTHER LONG-TERM LIABILITIES

Other Long-Term Liabilities	2017/18	2016/17 Re-stated	2016/17
	£000s	£000s	£000s
Pension Scheme - Long-term Liabilities	91,696	103,579	110,029
Total Other Long-Term Liabilities (as at 31 March)	**91,696**	**103,579**	**110,029**

Prior Period Adjustment

A prior year adjustment has been required for the accounting period ended the 31 March 2017.

The adjustment relates to the cessation of Keir Harlow Ltd, and the creation of Harlow Trading Services which occurred on the 1 February 2017. The Pension Fund net assets which were then transferred back to Harlow Council was not reported until September 2017 and as a result was not accounted for in 2016-17.

It has now been possible to incorporate the results of these events and the net effect to be carried forward from 2016-17 into 2017-18 is a net gain of £6.450m.

The impact on the Statement of accounts is that the Other Comprehensive Income and Expenditure section has received a benefit of £6.450m. The balance sheet has therefore seen a reduced Pension Liability and an Increase non distributable reserve balance as at 31 March 2017.

The amendments have been applied in accordance with the Council’s Accounting Policy which requires material errors to be corrected retrospectively, by adjusting the opening balances and comparative amounts for the prior period.

42. LONG-TERM DEBTORS

Long-term Debtors	2017/18	2016/17
	£000s	£000s
Service Charge Loans	34	63
Service Charge Debtor	1,106	1,328
Renovation Grants	274	280
Housing Act Advances Mortgages	1	2
Soft Loans	2	7
Total	**1,417**	**1,680**

SUPPLEMENTARY FINANCIAL STATEMENTS

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Housing Revenue Account Income & Expenditure Statement

For The Year Ended 31 March 2018

	Note	2017/18 £000s	2016/17 Restated £000s	2016/17 £000s
Expenditure				
Repairs and Maintenance		(9,673)	(9,046)	(9,046)
Supervision and Management		(16,638)	(14,521)	(14,362)
Rents, Rates, Taxes and Other Charges		(110)	(21)	(21)
Depreciation and Impairments of Non-Current Assets	H7 & H10	(37,191)	(45,111)	(45,111)
Amortisation of Intangible Assets		(98)	(89)	(89)
Debt Management Costs		(17)	(10)	(10)
Movement in the Allowance for Bad Debts (not specified by the Code)		(85)	(64)	(64)
Sums directed by the Secretary of State that are expenditure in accordance with the Code		(5)	(5)	(5)
Total Expenditure		**(63,817)**	**(68,867)**	**(68,708)**
Income				
Dwelling Rents		43,884	45,001	45,001
Non-Dwelling Rents		1,050	1,094	1,094
Charges for Services and Facilities		3,244	3,369	3,210
Contributions towards Expenditure		822	506	506
Total Income		**49,000**	**49,970**	**49,811**
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		**(14,817)**	**(18,897)**	**(18,897)**
HRA Services' share of Corporate and Democratic Core		(847)	(849)	(849)
Net Cost for HRA Services		**(15,664)**	**(19,746)**	**(19,746)**
HRA share of the operating income and expenditure				
Settlement of Pensions			9,525	
Gain or (loss) on sale of HRA non-current assets		(11,870)	(1,824)	(1,824)
Interest payable and similar charges		(6,778)	(6,740)	(6,740)
Interest and investment income		139	126	126
Capital grants and contributions receivable		42	33	33
Surplus or (deficit) for the year on HRA services		**(34,131)**	**(18,627)**	**(28,152)**

NOTES TO THE 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 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	**2017/18** £000s	**2016/17 Restated** £000s	**2016/17** £000s
Balance on the HRA at 1 April		**12,975**	**12,298**	**12,298**
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(34,131)	(18,627)	(28,152)
Adjustments between accounting basis and funding basis under statute	H1	35,331	19,396	28,921
Net increase or (decrease) before transfers to or from reserves		1,200	769	769
Transfers (to) or from reserves	H2	(71)	(92)	(92)
Increase or (decrease) in year on the HRA		1,129	677	677
Balance on the HRA as at 31 March		**14,104**	**12,975**	**12,975**

NOTES TO THE HOUSING REVENUE ACCOUNT

H1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

	2017/18 £000s	2016/17 £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	98	89
Impairment of Fixed Assets	25,389	18,995
(Gain)/ Loss on sale of HRA Fixed Assets	11,870	1,823
Transfer to/ (from) Major Repairs Reserve	0	15,062
Financial Instruments	(10)	1
Employer's contribution payable to the ECC Pension Fund and retirement benefits payable direct to pensioners	(475)	(1,524)
Deferred Grants written down	(42)	(33)
Accumulated Absences	4	3
Settlement of Pensions		(9,525)
Items not included in the HRA Income and Expenditure Account but to be included in the Movement on the HRA Balance for the year:		
Capital Expenditure Funded by the HRA	(1,503)	(5,495)
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year	**35,331**	**19,396**

H2. TRANSFERS TO / (FROM) RESERVES

	2017/18 £000s	2016/17 £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	439	512
Interest on Earmarked Reserves	18	20
Contribution from Insurance Fund	(107)	(133)
Contribution from Perpetuity Earmarked Reserves	(540)	(570)
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year	**71**	**91**

H3. ANALYSIS OF THE HOUSING STOCK

	2017/18	2016/17
Analysis by Type of Dwelling		
Houses & Bungalows	5,692	5,800
Flats & Maisonettes	3,578	3,615
Other	9	10
Total Dwellings	**9,279**	**9,425**
Analysis by Number of Bedrooms		
Bedsitters	402	404
1 bedroom	2,049	2,069
2 bedrooms	3,570	3,601
3 bedrooms	2,900	2,986
4 bedrooms	324	330
5 bedrooms	25	25
Hostels	9	10
Total Dwellings	**9,279**	**9,425**
The change in stock can be summarised as follows:		
Stock at start of year (1 April)	9,425	9,583
Deduct Sales, Demolitions, etc	(146)	(158)
Stock at end of year (31 March)	**9,279**	**9,425**

H4. BALANCE SHEET VALUES FOR THE HOUSING STOCK

	as at 31 March 2018 £000s	**as at 1 April 2017** £000s	**as at 31 March 2017 (restated)**	**as at 31 March 2017 (published)** £000s
Council Dwellings:				
Land	181,488	175,714	231,061	213,175
Dwellings	543,907	526,906	462,121	400,889
Sub-Total	725,395	702,620	693,182	614,064
Other land and buildings	16,513	16,798	17,209	17,209
Vehicles, plant, furniture and equipment	-	-	-	-
Infrastructure and community assets	335	344	344	344
Assets under construction	-	-	-	-
Surplus assets not held for sale	4,481	6,661	6,413	1,295
Investment properties	433	433	433	433
Assets held for sale	1,528	1,856	1,484	6,437
Total HRA Balance Sheet Values	**748,685**	**728,712**	**719,065**	**639,782**

The Balance Sheet value of stock has been restated as at 31 March 2017 to align with the correct figures displayed in Note 10 for Council Dwellings. The published figures last year did not take account of the upward movement in value as at 31 March 2017, or movements in value between Surplus Assets, Assets Held For Sale, and Council Dwellings.

H5. VACANT POSSESSION

The vacant possession values of the Council's Housing stock as at 1 April 2017 amounted to £1,870,794,700. Of this figure £17,425,000 related to surplus stock and £673,100 for temporary accommodation both valued at Existing Use Value. The remaining sum of £1,852,696,600 is attributable to council dwellings, which is subject to a social housing factor of 38% (a reduction of 62%) giving a specific valuation of £704,024,708. The net valuation of housing stock is therefore £722,122,808.

	as at 1 April 2018 £000s	as at 1 April 2017 £000s
Vacant possession value of dwellings	**1,870,795**	**1,711,280**

The vacant possession value and Balance Sheet value of dwellings within the HRA show the economic cost 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 £400,930 in 2017/18. 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	**2017/18** £000s	**2016/17** £000s
Dwellings	25,074	19,084
Other Property	413	0
Total	**25,487**	**21,224**
Operational Assets	25,487	21,224
Total	**25,487**	**21,224**

H8. CAPITAL EXPENDITURE AND ITS FINANCING

	2017/18 £000s	2016/17 £000s
HRA Capital Expenditure:		
Dwelling Stock	13,147	18,249
Non-Dwelling works	162	441
Assets Under Construction	0	0
Investment in Information Technology	37	44
	13,346	**18,734**
Financed By:		
Grant Contributions	42	33
Usable Capital Receipts	0	2,152
Revenue Contributions	1,503	5,495
Major Repairs Reserve	11,801	11,054
	13,346	**18,734**

H9. CAPITAL RECEIPTS

Summary of HRA Capital Receipts	2017/18 £000s	2016/17 £000s
Sale of Council Houses - Direct	7,424	8,646
Sale of Council Houses - Deferred	0	0
Other (including shared ownership)	472	86
	7,896	**8,732**

The number of sales of Council houses in 2017/18 continued at a similar level to the previous year in response to the Government's Invigoration of Right to Buy Policy. 69 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.

NOTES TO THE HOUSING REVENUE ACCOUNT

H10. CHARGES FOR DEPRECIATION

Depreciation	**2017/18** £000s	**2016/17** £000s
Council Dwellings	11,530	25,752
Other Land and Buildings	162	222
Infrastructure and Community Assets	9	9
Surplus assets not held for sale	3	44
Total	**11,704**	**26,027**
Operational Assets	11,530	25,752
Non-Operational Assets	174	275
Total	**11,704**	**26,027**

H11. MOVEMENT ON THE MAJOR REPAIRS RESERVE

Major Repairs Reserve	**2017/18** £000s	**2016/17** £000s
Balance as at 1 April	0	0
Transfers in - depreciation	11,801	26,116
Transfers out to the HRA	0	(15,062)
Capital Spending on Housing Stock met by the Reserve	(11,801)	(11,054)
Balance as at 31 March	**0**	**0**

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

Incorporated within the single entity accounts are the HTS (Property and Environment) Ltd pension figures.
The actual payments for pensions made to the pension fund from the HRA of £1,450,000 (2016/17: £380,000) plus the continuing pension payments in relation to underfunding and early retirements awarded to HRA employees of £1,758,000 (2016/17: £1,761,000) are removed from the HRA and replaced by the current service cost applying the principles of IAS 19 making a total amount removed of £2,733,000 (2016/17: (£8,909,000)). The corresponding entry is to the Pensions Fund Reserve.

The current service cost included in the HRA is the IAS 19 reported sum of £475,000 (2016/17: £537,000) which represents the pension costs of current staff.

H13. RENT ARREARS

Outstanding rent arrears at 31 March 2018 total £3,151,000 plus £95,000 overpaid housing benefit (£3,196,000 and £109,000 at March 2017). A provision for non-collectable debts has been made as at 31 March 2018 totalling £2,714,000 (£2,790,000 at March 2017).

The arrears exclude prepayments of £786,000 and may be analysed as follows:

Rent Arrears	As at 31 March 2018	As at 31 March 2017
	£000s	£000s
Due from Current Tenants	1,331	1,371
Due from Former Tenants	1,820	1,825
Arrears (gross)	3,151	3,196
	0	0
Prepayments	(786)	(739)
Net Arrears	**2,365**	**2,457**

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

COLLECTION FUND

The Collection Fund is a separate statutory fund 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 Income & Expenditure Statement For The Year Ended 31 March 2018

Collection Fund	2017/18 Business Rates £000s	2017/18 Council Tax £000s	2017/18 TOTAL £000s	2016/17 £000s
Income due:				
Council Tax				
Council Tax-payers	n/a	44,372	44,372	42,519
Transfer for Transitional Relief, S13A Reliefs and discount for prompt payment	n/a	0	0	(38)
Business Rates	47,798	n/a	47,798	45,515
Total Income	**47,798**	**44,372**	**92,170**	**87,996**
Expenditure:				
Contributions Prior year Deficit/(Surplus):				
- Harlow District Council	(846)	507	(339)	1,375
- Essex County Council	(190)	2,145	1,955	1,539
- Essex Police Authority	0	289	289	176
- Essex Fire Authority	(21)	128	107	105
- Department for Communities & Local Government	(1,057)	0	(1,057)	1,325
	(2,114)	**3,069**	**955**	**4,520**
Precepts, Demands and Shares				
- Harlow District Council	18,210	6,816	25,025	25,664
- Essex County Council	4,097	29,130	33,227	31,905
- Essex Police Authority	n/a	3,931	3,931	3,714
- Essex Fire Authority	455	1,728	2,183	2,132
- Department for Communities & Local Government	22,762	0	22,762	23,931
	45,524	**41,605**	**87,129**	**87,346**
Disregarded Amounts				
Enterprise Zone	**1,675**	n/a		
Charges to the Collection Fund				
Changes in Provision for Bad and Doubtful Debts	853	291	1,144	661
Appeals charged to Collection Fund	(1,607)	0	(1,607)	(1,234)
Changes in Provision for Appeals	1,359	n/a	1,359	(1,324)
Interest on refunds	0	0	0	0
Cost of Collection	118	n/a	118	122
Transitional Payment Protection due to DCLG	1,202	n/a	1,202	44
	1,925	**291**	**2,216**	**(1,731)**
Total Expenditure	**45,334**	**44,965**	**90,299**	**90,135**
(Surplus)/Deficit for year	**(788)**	**593**	**(195)**	**2,139**
Balance brought forward (surplus)/deficit	**1,000**	**(4,476)**	**(3,476)**	**(5,615)**
Balance carried forward 31 March 2018 (surplus)/ deficit	**212**	**(3,883)**	**(3,671)**	**(3,476)**

CF1. Business Rates

The Council collects national non-domestic rates (NNDR) for its area based upon the rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate multiplier set national by the Government.

The total Non Domestic Rateable Value as at 31 March 2018 was £109,004,175 (£108,918,406 at 31 March 2017). The multiplier for 2017/18 was set at 47.9 pence ((49.7 pence for 2016/17). The product of this is £52,212,999 for 2017/18 (£54,132,448 for 2016/17). 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.

2017/18 Council Tax was set at £272.28 for a band D property (£266.97 for 2016/17).

The Council Tax base was calculated as follows:

Valuation Band	Total No. Dwellings on Valuation List	Total Equivalent Dwellings (after discounts, etc)	Ratio to Band D	Band D Equivalents
A(i)	5	1.98	5/9	1.10
A(ii)	2,279	1,329.60	6/9	886.40
B	7,598	5,004.26	7/9	3,892.20
C	18,616	15,037.31	8/9	13,366.50
D	4,271	2,962.50	9/9	2,962.50
E	2,278	2,077.61	11/9	2,539.30
F	913	862.20	13/9	1,245.40
G	395	377.88	15/9	629.80
H	11	10.00	18/9	20.00
	36,366	27,663.34		25,543.20

Adjustment for Allowance of 2.0% for non-collection and for anticipated changes during the year for successful appeals against banding, new properties, demolitions, disability relief and exempt properties	(511.06)
Total Council Tax Base	**25,032.14**

CF3. DISTRIBUTION OF SURPLUS/DEFICIT

Distribution of Surplus/(Deficit)	Council Tax		Business Rates	
	2017/18	2016/17	2017/18	2016/17
	£000s	£000s	£000s	£000s
Harlow Council	(638)	(736)	85	400
Essex County Council	(2,717)	(3,132)	19	90
Essex Police & Crime Commissioner	(366)	(422)	-	-
Essex Fire Authority	(162)	(187)	2	10
Department Communities & Local Government	-	-	106	500
	(3,883)	(4,477)	211	1,000

Group Accounts for the year ended 31 March 2018

Introduction

In order to provide a full picture of the economic and financial activities of the Council and its exposure to risk, the accounting statements of material subsidiary companies are consolidated with those of the Council. The resulting Group Accounts are presented in addition to the Council's single entity accounts. They include the core accounting statements, similar in presentation and purpose to the Council's accounts, and any explanatory notes considered necessary to explain material movements from the single entity accounts. Where no notes are given, users of the accounts should refer to the notes in the single entity accounts.

Group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, consolidating any material subsidiary, associate or joint venture entities over which the Council exercises control or influence. The basis for determining the Group Boundary is as set out in the Council's Accounting Policies, on page 40.

HTS (Property & Environment) Ltd. began active trading on 1 February 2017; of which the Council owns 100% shares (cash consideration £1), and has been consolidated as a wholly owned subsidiary.

Accounting Policies

HTS (Property & Environment) Ltd has prepared 2017/18 accounts using accounting policies consistent with those applied by the Council. There is a minor adjustment for depreciation to align accounting policies. Both entities have a financial year end of 31 March. HTS (Property & Environment) Ltd initially has an accounting period of 14 months (from 1 February 2017 to 31 March 2018) although, in practice, this Statement f Accounts covers only the period of trading activity from 1 April 2017 to 31 March 2018.

As a subsidiary, the accounts of HTS (Property & Environment) Ltd have been consolidated with those of the Council on a line by line basis, and any balances and transactions between parties have been eliminated in full. HTS (Property & Environment) Ltd expenditure and income, adjusted for transactions with the Council, is included on the relevant service lines in the Comprehensive Income and Expenditure Statement; and balance sheet values are similarly incorporated into the relevant heading of the Balance Sheet, removing balances owed between the two parties.

HTS (Property & Environment) Ltd. Summary Single Entity Accounts

IFRS Standard 12 requires that summarised financial information for subsidiaries is provided with in the Council's accounts. HTS (Property and Environment) Ltd has been trading for 14 months so will formalise their accounts from 1 February 2017 to 31 March 2018. The Council's Group Accounts show the first two months of trading in 2016/17, and the latter twelve months of trading in 2017/18. The Summary Profit and Loss Account and Summary Balance Sheet is given below.

GROUP ACCOUNTS

HTS Profit and Loss Account	2017/18 £000	2016/17 £000
Turnover	20,814	3,029
Cost of Sales	(12,559)	(1,640)
Gross Profit	**8,255**	1,389
Administrative Expenses	(7,882)	(1,253)
Operating Profit from continuing operations before Tax	**373**	136
Tax on Profit on Ordinary Activities	(71)	(26)
Profit for the period	**302**	110

HTS Balance Sheet	2017/18 £000	2016/17 £000
Property, Plant & Equipment	1,012	865
Intangible Assets	359	726
Long-Term Assets	**1,371**	1,591
Trade and Other Receivables	1,262	609
Cash and Cash Equivalents	1,829	922
Current Assets	**3,090**	1,531
Current Liabilities	**(2,784)**	(1,317)
Long-Term Liabilities	**(1,265)**	(1,695)
Net Assets attributable to members	**412**	110
Balance brought forward	(110)	-
Profit for the period	(302)	(110)
Total Reserves	**(412)**	(110)

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council and HTS (Property & Environment) Ltd, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and rent setting purposes. The net increase/ decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Group Movement in Reserves Statement	Harlow Council	Movement	Group
	Total Authority Reserves	Group Movements	Authorities share of Reserves including Group Operations
	£000s	£000s	£000s
Balance at 31 March 2016 carried forward	**506,394**	**0**	**506,394**
Movement in reserves during 2016/17			
Surplus / (Deficit) on the provision of services	(28,888)	110	**(28,778)**
Other Comprehensive Income and Expenditure	68,274		**68,274**
Total Comprehensive Income and Expenditure	**39,386**	**110**	**39,496**
Adjustments between accounting basis & funding basis under regulations			
Increase / (Decrease) in 2016/17	**39,386**	**110**	**39,496**
Balance at 31 March 2017 carried forward	**545,779**	**110**	**545,889**
Movement in reserves during 2017/18			
Surplus / (Deficit) on the provision of services	(36,897)	302	**(36,595)**
Other Comprehensive Income and Expenditure	87,974		**87,974**
Total Comprehensive Income and Expenditure	**51,077**	**302**	**51,379**
Adjustments between accounting basis & funding basis under regulations		4	4
Increase / (Decrease) in 2017/18	**51,077**	**306**	**51,383**
Balance at 31 March 2018 carried forward	**596,856**	**416**	**597,272**

Group 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. 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.

Group Comprehensive Income and Expenditure Statement	**2017/18 Harlow Council**	**Movement**	**2017/18 Group CI&E**	**2016/17 Group CI&E Restated**	**2016/17 Group CI&E**
	Net Expenditure	Net Expenditure	**Net Expenditure**	Net Expenditure	Net Expenditure
	£000	£000	**£000**	£000	£000
Managing Director & Services	240	-	240	288	288
Community Wellbeing	4,796	(1)	4,795	6,396	6,396
Finance	3,998	42	4,040	3,050	2,690
Place	3,166	(361)	2,805	5,994	5,994
Housing GF	978	-	978	1,025	1,025
Governance	1,620	-	1,620	1,758	1,581
Housing HRA	12,038	(572)	11,466	5,951	15,695
Cost of Services	**26,836**	**(892)**	**25,944**	24,462	33,669
Other Operating Expenditure	15,057	-	15,057	7,794	7,794
Financing and Investment Income and Expenditure	9,398	581	9,979	10,170	9,890
Taxation and Non-Specific Grant Income	(14,394)	-	(14,394)	(13,671)	(13,074)
(Surplus)/ Deficit on Provision of Services	**36,897**	**(310)**	**36,587**	28,755	38,279
Tax Expenses on Subsidiaries		4	4	26	26
	36,897	**(306)**	**36,591**	28,781	38,305
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets	(74,412)	-	(74,412)	(86,456)	(86,456)
(Surplus)/ Deficit on Revaluation of Available for Sale Financial Assets	(77)	-	(77)	52	52
Actuarial (Gains)/ Losses on Pension Assets and Liabilities	(13,485)	-	(13,485)	18,132	15,057
Other Comprehensive Income and Expenditure	**(87,974)**	**-**	**(87,974)**	(68,272)	(71,347)
Total Comprehensive Income and Expenditure	**(51,077)**	**(306)**	**(51,383)**	**(39,491)**	**(33,042)**

Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by the reserves held by the group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the group 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 Reserves that may only be used to fund capital or repay debt). The second category of reserves is those that the group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold: and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Group Balance Sheet	**2017/18**		**2017/18**	2016/17	2016/17
	Harlow Council	**Movement**	**Group**	Group Restated	Group
	£000	£000	**£000**	£000	£000
Property, Plant & Equipment	859,134	1,016	860,150	824,889	824,395
Heritage Assets	1,622	-	1,622	1,622	1,622
Investment Property	1,906	-	1,906	1,789	1,789
Intangible Assets	766	359	1,125	1,680	1,680
Long-Term Investments	1,955	(839)	1,116	696	696
Long-Term Debtors	1,417	-	1,417	1,680	1,680
Long-Term Assets	**866,800**	**535**	**867,335**	832,356	831,862
Short-Term Investments	11,321	-	11,321	14,048	14,048
Assets Held for Sale	1,528	-	1,528	2,497	2,991
Inventories	33	33	66	61	61
Short-Term Debtors	13,067	700	13,767	11,244	11,244
Cash and Cash Equivalents	25,603	1,829	27,432	21,452	21,452
Current Assets	**51,552**	**2,562**	**54,114**	49,302	49,796
Short-Term Borrowing	(81)	-	(81)	(80)	(80)
Short-Term Creditors	(16,285)	(2,159)	(18,444)	(18,064)	(18,064)
Short-Term Provisions	(1,117)	-	(1,117)	(1,110)	(1,110)
Current Liabilities	**(17,483)**	**(2,159)**	**(19,642)**	(19,254)	(19,254)
Long-Term Creditors	(383)	(426)	(809)	(867)	(867)
Long-Term Borrowing	(211,837)	(96)	(211,933)	(211,837)	(211,837)
Other Long-Term Liabilities	(91,696)	-	(91,696)	(103,579)	(110,029)
Grants Receipts in Advance - Capital	(96)	-	(96)	(244)	(244)
Long-Term Liabilities	**(304,012)**	**(522)**	**(304,534)**	**(316,527)**	**(322,977)**
Net Assets	**596,857**	**416**	**597,273**	**545,877**	**539,427**
Usable Reserves	(51,580)	(416)	(51,996)	(44,913)	(44,913)
Unusable Reserves	(545,277)	-	(545,277)	(500,964)	(494,514)
Total Reserves	**(596,857)**	**(416)**	**(597,273)**	**(545,877)**	**(539,427)**

Prior Period Adjustment

A prior year adjustment has been required for the accounting period ended the 31 March 2017.

The adjustment relates to the cessation of Keir Harlow Ltd, and the creation of Harlow Trading Services which occurred on the 1 February 2017. The Pension Fund net assets which were then transferred back to Harlow Council was not reported until September 2017 and as a result was not accounted for in 2016-17.

It has now been possible to incorporate the results of these events and the net effect to be carried forward from 2016-17 into 2017-18 is a net gain of £6.450m.

The impact on the Statement of accounts is that the Other Comprehensive Income and Expenditure section has received a benefit of £6.450m. The balance sheet has therefore seen a reduced Pension Liability and an Increase non distributable reserve balance as at 31 March 2017.

The amendments have been applied in accordance with the Council's Accounting Policy which requires material errors to be corrected retrospectively, by adjusting the opening balances and comparative amounts for the prior period.

Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the group during the reporting period. The statement shows how the group 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 group are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the group.

Group Cash Flow Statement	**Harlow Council £000**	**2017/18 Move-ment £000**	**Group £000**	**2016/17 Group Restated £000**	**2016/17 Group £000**
Net Surplus/(Deficit) on the Provision of Services	(36,897)	309	(36,588)	(28,754)	(38,280)
Adjustments to Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements	60,484	(143)	60,341	50,526	60,052
Adjustments for Items Included in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities	(6,577)	0	(6,577)	(13,182)	(13,182)
Net Cash Flows from Operating Activities	**17,010**	**167**	**17,177**	**8,590**	**8,590**
Investing Activities	(10,435)	510	(9,925)	(12,255)	(12,255)
Financing Activities	(1,502)	234	(1,268)	(2,178)	(2,178)
Net (Increase)/Decrease in Cash and Cash Equivalents	**5,073**	**907**	**5,980**	**(5,843)**	**(5,843)**
Cash and Cash Equivalents at the Beginning of the Reporting Period	20,530	922	21,452	27,295	27,295
Cash and Cash Equivalents at the End of the Reporting Period	**25,603**	**1,829**	**27,432**	**21,452**	**21,452**

GLOSSARY OF TERMS & 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

Amounts included in the accounts for income or expenditure relating to the financial year for which payment has not been received/ made in the financial year. Local authorities accrue for both revenue and capital expenditure.

Amortisation

The measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period; this generates transactions to the Income and Expenditure Account over a period of time, reflecting the value of these assets to the Council and is similar to the depreciation charge for tangible fixed assets.

Annual Governance Statement

The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

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.

Balances (or Reserves)

These represent accumulated funds available to the Council. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves, which are set out for technical purposes. It is not possible to utilise these to provide services.

Billing Authority

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

Business Rates

Business Rates (sometimes referred to as Non-Domestic Rates or NDR) are charged on most non-domestic premises, including 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 (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

These are 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 to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards and carries statutory status via the provision of the Local Government Act 2003.

NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

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 Business Rates and Council Tax, and illustrates the way in which the fund balance is distributed to the Government, preceptors and the General Fund.

Collection Fund Adjustment Account

This is an unusable reserve that reconciles differences between statutory requirements as a Billing Authority and proper accounting practice.

Community Assets

The class of Fixed Assets held in perpetuity that have no determinable useful life and may have restriction on their disposal.

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.

GLOSSARY OF TERMS & ABBREVIATIONS

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

This is a charge made to the accounts that represents a measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

DWP

The Department for Work and Pensions (DWP) is a Central Government department; it administers the State Pension and a range of working age, disability and ill health benefits.

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.

HCA

Homes and Communities Agency (HCA) was replaced by Homes England in January 2018.

HTS (Property & Environment) Ltd

This is the new company set up by Harlow Council to provide a range of environmental and property maintenance services. HTS (Property & Environment) Ltd is a wholly owned subsidiary of HTS Group Ltd and began trading from 1 February 2017. Its role is to provide housing repairs and maintenance, capital and planned works, facilities management, environmental and compliance services to the tenants, leaseholders and residents of Harlow.

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, which is an independent, not-for-profit organisation.

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.

Investments

Deposits for less than one year with approved institutions.

International Public Sector Accounting Standards (IPSAS)

These are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

GLOSSARY OF TERMS & ABBREVIATIONS

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

These debtors represent the capital income still to be received, for example, from the sale of an asset or the granting of a loan.

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.

MHCLG

The Ministry of Housing, Communities and Local Government (formerly the Department for Communities and Local Government) is a Government department responsible for housing, planning, devolution and local government, as well as community issues.

Movement in Reserves Statement (MIRS)

This is one of the core financial statements and presents the movement in usable and unusable reserves (the Council's total reserve balances).

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, such as from the sale of council houses under the Right to Buy scheme.

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).

Reserves

Reserves are amounts set aside, each for a specific purpose in one year and carried forward to meet future obligations.

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.

GLOSSARY OF TERMS & ABBREVIATIONS

Revenue Support Grant

This funding is a part of 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.

UK GAAP Accounting Standards

UK GAAP is the Generally Accepted Accounting Practice in the UK representing the body of accounting standards and other guidance published by the UK's Financial Reporting Council (FRC).

INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

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

Opinion

We have audited the financial statements of Harlow District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Related notes 1 to 42 and the Expenditure and Funding Analysis
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 13, and
- Collection Fund Account and the related notes 1 to 3

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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Harlow District Council and Group as at 31 March 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Financial Report 2017/18, other than the financial statements and our auditor's report thereon. The Corporate Director (Section 151 Officer) is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, 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 2018.

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

Responsibility of the Corporate Director (Section 151 Officer)

As explained more fully in the Statement of Responsibilities set out on page 24, the Corporate Director (Section 151 Officer) 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Corporate Director (Section 151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.
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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 2017, 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 C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

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.

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.

Use of our report

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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signed ……………………………………… Date 14 September 2018

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton

The maintenance and integrity of the Harlow District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SECTION C

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

Harlow Council - Annual Governance Statement 2017/18

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 adopted a code of corporate governance (last updated November 2017) which is consistent with the principles of the CIPFA (Chartered Institute of Public Finance and Accounting)/SOLACE (Society of Local Authority Chief Executives) Framework *Delivering Good Governance in Local Government*.

1.4. This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015, 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 (2016).

2.4. The Council's governance framework has been in place within the Council for the year ended 31 March 2018 and up to the date that the statement of accounts was approved.

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 seven CIPFA/SOLACE principles of delivering good governance as updated in 2016, which are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Council's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong financial management.
- Implementing good practices in transparency, reporting, and audit, to deliver effective 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 and the Shareholders Sub Committee for the Council's wholly owned subsidiary company Harlow Trading Services

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 Corporate Governance Group comprising the Managing Director, the Section 151 Officer, a Policy and Performance representative, the Internal Audit Manager, the Insurance and Risk 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 seven CIPFA/SOLACE principles of effective governance. The Group has considered the following evidence:

a) Service Assurance Statements – each third tier manager, in conjunction with their Head of Service, has 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 2017/18. 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 2017/18 year. Where these exist, we have also used reports from other agencies and inspectorates.

4.3. During the year the Corporate 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 continues to ensure that there is better integration of the assurance framework and that the process for producing the Annual Governance Statement remains robust.

4.4. The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2017/18 and has concluded that arrangements are fit for purpose and working effectively. As a result of this assessment, a small 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. Overall opinion of Harlow's governance arrangements

5.1. This AGS demonstrates that the Council has sound governance arrangements in place which continue to work well in practice for the 2017/18 financial year. However, the Council is not complacent and areas for improvement or development are detailed below.

6. Governance Issues Identified

6.1. 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 Corporate 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 (see overleaf):

Table 1 – Progress on significant governance issues identified in the 2016/17 AGS

Significant issue identified in 2016/17 AGS	Action taken in 2017/18 to address the issue
1. General Data Protection Regulations (GDPR): It is imperative that businesses and public bodies are prepared for the GDPR which will apply in the UK from 25 May 2018. The government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR. Work is already in hand to ensure Harlow is compliant with the requirements of the GDPR ahead of May 2018 and beyond.	The project was led by the Council's Data Protection Officer and a range of activities identified in the project plan have been delivered including: • Training sessions for staff and Councillors with mandatory e-learning for all staff • An information asset register has been compiled and was refined, including the legal basis for all processing activities • Data protection policies, document retention schedules and other associated procedures have been reviewed and updated • The privacy notice on the Council's website has been updated and departments have reviewed and updated their specific ones where required
2. Performance and Risk Management system: The Corporate Risk Register format is now incorporated into the new service planning and risk management system InPhase. Work will continue in 2017/18 on the database to ensure linkages between corporate and operational risks, corporate and service objectives and performance management information coupled with a staff awareness campaign.	Corporate Strategic Risks continue to be monitored and updated quarterly within InPhase. Performance measures detailed in the quarterly Joint Finance and Performance Management are now run from InPhase. For 2018/19 InPhase service plans, and their associated risks, will be linked to team plans.
3. Revised Local Code of Corporate Governance: The Council's Code of Corporate Governance will be updated to ensure it is aligned to the new framework for Corporate Governance published by CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives)	The Council's Code of Corporate Governance has been updated and is available on the Council's website.

6.2. 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:

6.3.

Table Two: Areas for improvement or monitoring during 2018/19

Key improvement area	Action to be taken in 2018/19
1. General Data Protection Regulations (GDPR)	On 25 May 2018, the EU General Data Protection Regulation came into force. It is important the Council not only maintains compliance but ensures there is a continuous process for improvement too.
Common theme from the Service Assurance Statements was:	
2. Business Continuity Plan (BCP) testing	Testing regimes to be introduced to verify the effectiveness of business continuity plans, provide training to participants on what to do in a real scenario and identify areas where the plan needs to be strengthened.

6.4. 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.

6.5.

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: 31 July 2018

(Leader of the Council)

Signed: Date: 31 July 2018

(Managing Director)