



Harlow District Council

Draft Statement of Accounts

2018/19

Including Narrative Report and Annual Governance Statement

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NARRATIVE REPORT

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Introduction

Welcome to Harlow District Council's Statement of Accounts for the year ending 31 March 2019.

The Statement of Accounts is a statutory document and provides information on the transactions relating to the provision of services by the Council. Many of the accounting principles used in preparing the Statement of Accounts are complex. This Narrative Report is intended to aid the readers' understanding, it 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 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 Science Park; building on the town's pioneering traditions and bringing jobs to the area. Construction of the site infrastructure completed in June 2018. Construction of the first two buildings on the Science Park site began in September 2018 one of which will be owned by Harlow Council and the other by Anglia Ruskin University. The development of a further plot on the site is expected to commence in autumn 2019. 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 2019. Further details of the Enterprise Zone, together with associated web links, are available to view on-line at: <http://www.harlowez.gov.uk>.

A Council funded capital scheme to refurbish the retail, commercial and residential properties at Prentice Place is expected to complete in 2019/20.

Further developments in the town include the development of Public Health England's (PHE) new public health science campus and headquarters on the former GlaxoSmithKline site. The campus is expected to employ up to 2,750 people when it is fully operational in 2024 and will deliver solutions for issues such as smoking, alcohol, diabetes, dementia and environmental hazards.

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

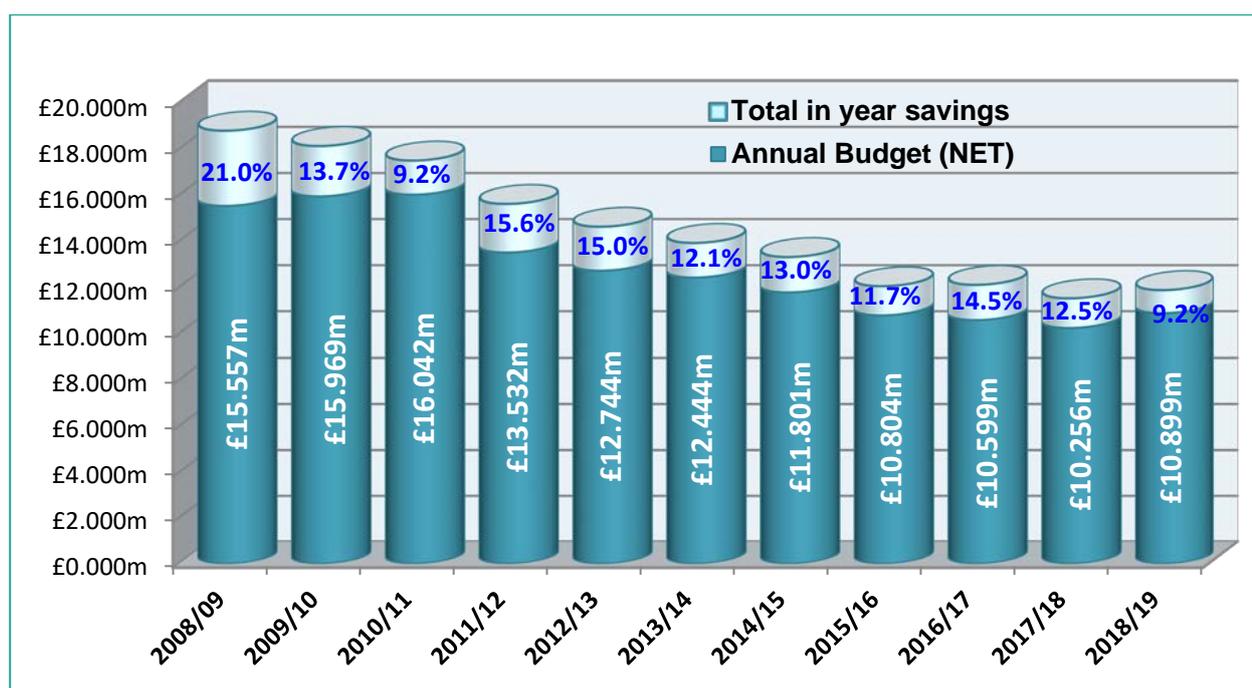
The Council has an annual net General Fund expenditure of £10.9 million and through it Housing Revenue Account (HRA) is the landlord for over 9,100 properties and over 2,500 leasehold properties at a gross cost of over £50 million. The Council currently delivers an annual capital investment programme of £27.6 million.

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The services it provides affect the lives of everybody who lives in, works in or visits Harlow. Over the last eleven years, in response to the financial challenges it has faced, the Council has achieved significant financial savings totalling £19 million 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:



	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	2018/19 £000s
Total in year savings	3,260	2,183	1,479	2,107	1,906	1,502	1,534	1,264	1,527	1,286	1,000
Cumulative savings	3,260	5,443	6,922	9,029	10,935	12,437	13,971	15,235	16,762	18,048	19,048
Annual Budget (NET)	15,557	15,969	16,042	13,532	12,744	12,444	11,801	10,804	10,599	10,256	10,899
Annual savings as % of Annual Budget (NET)	21.0%	13.7%	9.2%	15.6%	15.0%	12.1%	13.0%	11.7%	14.4%	12.5%	9.2%

Over the same period the Council's main Government grant funding to support General Fund services has reduced by over 66 percent. There remains uncertainty over the likely levels of funding available to the Council in future years as a result of the Government's proposals to change the whole funding arrangements from 2020/21. The Council has a three-year financial strategy setting out how it will balance the books based upon the best information it currently has available to it..

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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 improving performance and against a backdrop of a four year centrally enforced housing rent reductions policy imposed by the Government.

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 at: (<https://www.harlow.gov.uk/finances>).

Results for 2018/19

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 operating cost and income levels.

The Council set a budget for spending on General Fund services of £10.142 million to be financed from grant funding (£3.174 million), a share of the Collection Fund surplus (£0.757 million) and from Council Tax (£6.968 million).

The Council's share of the total council tax for a Band D property was set at £272.28, unchanged on the previous year.

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

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General Fund Outturn	Original Estimate £000s	Revised Estimate £000s	Actual £000s	Variance To Original £000s
Council Services				
Managing Director	18	27	-	(18)
Finance	3,337	3,337	3,581	244
Community Wellbeing	4,120	4,212	4,175	55
Housing (GF)	1,108	1,104	936	(172)
Governance	763	768	509	(254)
Place	3,888	3,923	3,864	(24)
Net Service Expenditure	13,234	13,371	13,065	(169)
Reversal of capital charges	(2,510)	(2,510)	(1,574)	936
Net Interest Payable	56	56	(183)	(239)
MRP	285	285	250	(35)
Other Operating costs	-	-	(373)	(373)
Other Operating income	(2,057)	(2,057)	(7,242)	(5,185)
	9,008	9,145	3,943	(5,065)
Transfers to / (from) reserves	1,134	1,134	6,750	5,616
Total Net Spending for the Year	10,142	10,279	10,693	551
Met by:				
Council Tax	(6,968)	(6,968)	(6,968)	-
Government Grants	(3,174)	(3,174)	(3,178)	(4)
Contribution To / (From) Balances	-	(137)	(547)	(547)
	(10,142)	(10,279)	(10,693)	(551)

General Fund Budget Variations (Actual Against Original Estimate)

During 2018/19 the Council's total net expenditure on its General Fund was £10.7 million (£9.1 million 2017/18), which was offset by income from Council Tax and Government Grants. Net service expenditure, at £13.1 million, was slightly lower (£0.169 million) than the original estimate. Income was considerably higher as a result of windfall business rates retained and the winding up of the joint venture company and has allowed for a transfer into the Council's business rates equalisation reserve to be made to protect against future volatility in business rates income.

The Council's funding from Central Government in 2017/18 reduced by 9.6% 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 2019 stands at £6.188 million; a reduction of £0.547 million compared to the previous year. This continues to compare favourably with the Council's recommended minimum working balance of £2.5 million. Subject to formal Member approval in July a proportion of this balance (£0.138 million) will be used to support spending plans that will be carried forward into 2019/20. The purpose of the General Fund is to enable the Council to hold

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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:

	Current Estimate	Actual	Variance
	£000	£000	£000
Expenditure			
General Management	11,337	11,419	82
Supervision and Management	7,353	7,227	(126)
Repairs	10,009	10,108	99
Rents, Rates, Taxes and Other Charges	35	50	15
Provision for Bad and Doubtful Debts	300	205	(95)
Supporting People Transitional Arrangements	5	5	0
Major Repairs Allowance (Net Depreciation)	11,439	10,362	(1,077)
Interest Charges	17	8	(9)
Debt Management Expenses	6,669	6,696	27
Revenue Contribution to Capital Expenditure	5,914	3,950	(1,964)
Transfers to/from Insurance Fund	112	196	84
Total Spending for the year	53,190	50,226	(2,964)
Income			
Dwelling Rents	(43,175)	(42,908)	267
Non-Dwelling Rents	(1,142)	(965)	177
Other Rents	(65)	(63)	2
Charges for Services and Facilities	(5,006)	(5,779)	(773)
Interest Receivable	(62)	(138)	(76)
Total Income for the year	(49,450)	(49,853)	(403)
Net HRA (Surplus)/Deficit	3,740	373	(3,367)

The Council set a budget for spending on Housing Revenue Account services of £52.968m which was increased after year end by approved revenue carryovers of £0.222m. Capital carryovers of £5.187m also increased the revenue contribution to capital.

Housing Revenue Account Budget Variations (Actual Against Original Estimate)

The net of expenditure and income in the Housing Revenue Account for 2018/19 varied by a favourable £3.367m.

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 £546,000. Home loss payments and moving incentives arising from Priority Estates were £159,000 less than originally estimated due to the difficulty of forecasting demand and uncertainty around tenant removal and home loss claims.

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- Changes to HTS (Property & Environment) Ltd. pension contributions, a wholly owned subsidiary of Harlow Council, resulted in an adverse variance of £61,000.
- The cost of homeless prevention, as anticipated increased in line with the national trend, with expenditure in year of £871,000 representing a favourable variance of (-)£14,000. The Council received a Rough Sleepers Grant from the Government, £179,000 of which was allocated to the HRA to support homelessness prevention.
- The Provision for Bad and Doubtful Debts was set at £300,000 in anticipation of possible arrears following the implementation of Universal Credit in Harlow. The provision required for 2018/19 was £205,000, a reduction of £95,000.
- Non-operational variances totalling a favourable £3.488m relates to a decrease in depreciation charge in the Major Repairs Reserve of (-)£1.077 million and increased income from major capital works of £0.448 million together with a decrease in the Direct Revenue Contribution to Capital of £1.964 million. The reduced contribution follows a lower than estimated outturn in the Housing Capital Programme, and is attributable also to a carry-over of work totalling £3.608 million to 2019/20.
- Income: Dwelling Rents were £267,000 lower than estimated due to an increase in the number of void properties received, and an increase in the number requiring major works which has resulted in longer void periods. An increase in voids also affected garage rents which were £177,000 less than budgeted.

Capital spending

In its capital investment programme aligned with both General Fund and Housing services, the Council incurred capital expenditure totalling £27.6 million in 2018/19 against an approved programme of £34.4 million Schemes to the value of £5.1 million are to be carried forward for works due to be undertaken during 2019/20.

Major housing schemes included

- General improvements to homes (including internal and external works, windows and doors, electrical works) £8.8 million
- Lift refurbishments £0.9 million
- Disabled facilities to dwellings; £1.04 million
- Energy Efficiency work (includes upgrades to District Heating and communal boilers); £3.6 million.
- Fire safety and work to Tower Blocks £1.87 million
- New build schemes £0.33 million

Other schemes included

- Restoration of Oakwood Pond, Nettewell Pond and other flood prevention; £0.181 million

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- Refurbishment of commercial properties including the Latton Bush Centre; £0.67 million
- Improvements to the Town Centre Public Realm £0.317 million
- Improvements to The Stow Public Realm £0.105 million
- Renovation of Harlow Playhouse as part of a 4 year project; £0.44 million
- Prentice Place Development; £1.2 million
- Improvements within Harlow Town Park (Inclusive Play Area including equipment, the Walled Garden and signage and bins); £0.307 million.

Programme of Development

In 2018/19 the Council held £2.3 million as the Accountable Body for Programme of Development regeneration schemes. The grant monies included £1.95m for capital work which were made available by the MHCLG to the Council and its partner local authorities for approved regeneration schemes.

During 2018/19 the Council drew down a total £0.699 million of which £0.385 million funded capital expenditure for work towards the regeneration of specific areas of Harlow. Claims from partner authorities drew down a total of £0.314 million to fund capital works.

Internal Capital Financing

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

In 2018/19 capital investment was financed by £7.07 million from internal resources. The Council has not borrowed to finance the housing capital programme but has used surplus resources.

Revaluation of Land and Property Assets

The Council has its land and property assets revalued on a rolling basis which ensures the assets are revalued at least once every five years in accordance with statutory guidance. The Council has appointed new valuers to carry out its non-housing valuations from 2015/16. The valuation for 1 April 2018 represents the fourth year of a five year cycle.

Funding the Capital Programme

General Fund Capital Programme expenditure totalled £3.003 million and was funded through a combination of Direct Revenue Financing (£0.268 million), Grants and other Contributions (£0.501million), Capital Receipts (£0.289 million) and Internal Borrowing (£1.945 million).

Housing Capital Programme expenditure totalled £17.205 million and was financed from Revenue Reserves (£3.950 million), Major Repairs Reserve (£10.362 million), Capital Receipts (£2.663 million) and Other Contributions (£0.230 million).

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 are for an underlying need to borrow, the Council's policy is to use the proceeds from the sale of assets as its first funding source to fund the programme. Proceeds from sales remain limited due to present economic conditions and their impact on the property market. The Council has again decided to borrow internally while it has a strong cash flow position, removing the need to borrow externally in 2018/19 and avoiding financing costs. Future receipts will be utilised to offset this internal borrowing. In the medium term the financial strategy assumes there will be a need to borrow externally as the disposal of assets and associated receipts become fewer and less predictable.

Current Assets and Current Liabilities

The level of current assets reported in the balance sheet has reduced from £54.741 million at 31 March 2018 to £46.570 million as at 31 March 2019, a decrease of £8.171 million. The most significant movements were:

- a decrease of £3.797 million in short-term investments placed for periods exceeding three months in duration;
- a decrease of £4.102 million in the level of cash and cash equivalents held, due to a decrease in investments placed for periods shorter than three months;
- a decrease in the level of short-term debtor balances of £0.305 million.

Current liabilities have increased from £20.672 million at 31 March 2018 to £24.353 million as at 31 March 2019, an increase of £3.681 million. This increase is largely represented by a £3.665 million increase in sundry creditors, as shown in note 19 which accompanies the financial statements.

Other Long Term Liabilities - Pension Fund

Pension Fund liabilities have reduced from £91.696 million as at 31 March 2018 to £77.626 million as at 31 March 2019. This reduction is based on the Council's Actuarial assessment of pension assets compared to liabilities.

Financial Prospects Looking Forward

General Fund

The 2018/19 outturn position was strong notwithstanding a reduction in the General Fund Balance of £0.547 million in the year. This provides a firm foundation for maintaining service delivery to the local community including discretionary services. Notwithstanding future expenditure commitments and Government fiscal tightening, there is also scope for further investment in the future whilst continuing to protect council tax bills. General Fund Earmarked Reserves now stand at £23.981 million with a further £6.188 million held in the General Fund working balance.

The Council's Medium Term Financial Plan for 2019/20 to 2021/22, agreed at Council in February 2019, shows that there remain challenges to enable a balanced budget proposal to be delivered,, albeit significantly lower than has been the case in previous 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

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manifest themselves locally 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:

- any significant, unexpected variations in actual income and expenditure against budget;
- the continuing impact of the proposals to overhaul local authority funding through the current business rates retention reforms and proposed fairer funding regime;
- the local impacts of the Government's welfare reform programme;
- the continuing uncertainty surrounding and effect of Brexit;
- movements in interest rates - with bank base rates at an all-time low, investment income earned is suppressed despite diversification in the investment portfolio, whilst any increases in the longer-term could 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 2018-2048 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 housing regulatory requirements by continuing with the replacement regime (based on stock condition survey) for internal and external property components (e.g. kitchens, bathrooms, central heating systems, roofs and external structure of homes);
- prioritise resources to safeguard the well-being and safety of the Council's tenants in their homes with 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;
- 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; and

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- develop a programme for the delivery of affordable housing, social rented, and the building of new council housing in accordance with local plan priorities, regeneration priorities, and affordability/viability.

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

- The outcome of the Grenfell Tower Inquiry will have inevitable implications for landlords across the country. Fire Risk Assessments for the Council's tower blocks confirm that all are inherently safe from fire. The outcome of the Inquiry may place additional or higher specification of work to mitigate fire risk and ensure containment.
- 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 challenges councils to make efficiencies in order to deliver sustainable services. It has now been announced that from April 2020 rents may increase by no more than CPI +1 percent.
- 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 Homeless Reduction Act 2017, implemented from April 2018, placed a legal duty on councils to take steps to intervene to prevent homelessness happening in the first place, rather than focusing on accommodating people who are already homeless. This has already and will continue to have financial implications for the Council in terms of the increased new duties that apply.
- The ongoing uncertainties of the effect of Brexit on the country's economic outlook.

Performance Management

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 2018/19 are set out in its Corporate Plan 2019 – 2022, available on the Council's website at: (<http://www.harlow.gov.uk/corporate-plan-2019-22pdf>).

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The Council achieved an overall performance of 100% for its KPIs (on or above target), 94% of the Service milestones completed in the financial year 2018/19; and 6% of the Service milestones were deferred due to changing priorities.

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

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, to aid further your understanding of what each key statement represents and what it can tell you regarding the Council's financial position.

Councils' accounts are prepared in accordance with proper accounting practices defined by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("The Code"). The Code specifies the accounting principles and practices required to present a 'true and fair' view of a council's financial position, financial performance and cash flows. It requires councils to prepare their financial statements in the manner prescribed by the International Accounting Standards Board (IASB). The IASB sets out the concepts underlying the preparation and presentation of the statements for the benefit of external users of the accounts. However, if an accounting treatment is prescribed by law, it overrides accounting concepts set by the IASB, if different.

Statement of Responsibilities (page 20)

Councils are required to set out the respective responsibilities of the Council and of the Head of Finance / Deputy to the Managing Director in relation to the accounts.

Movement in Reserves Statement (page 22)

This shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. It shows how the movements in year of the Council'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 and Housing Revenue Account Balance movements in the year following those adjustments.

Comprehensive Income and Expenditure Statement (page 23)

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 and rents. The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may differ from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis.

Balance Sheet (page 24)

The Balance Sheet shows the value of assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category 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 (for example the Capital Receipts Reserve which can only be used to fund capital expenditure or repay debt). The second category is unusable reserves - those that

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the Council is not able to use to provide services. It 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 were 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 (page 25)

This 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. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council (i.e. borrowing).

Expenditure and Funding Analysis (page 38)

The analysis shows how funding available to the Council for the year (from Government grants, rents, Council Tax and Business Rates) has been used in providing services compared to those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It 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.

Housing Revenue Account (HRA) (page 98)

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 (page 106)

The Collection Fund is an "agent's" statement reflecting the Council's statutory obligation as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates (NDR, also known as Business Rates).

Group Accounts (page 109)

The Code 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) Ltd. Company and group financial statements have therefore been included within the Statement of Accounts in accordance with IFRS 10 and are shown in pages 110 to 114. The Group Accounts comprise the Movement in Reserves Statement; the Comprehensive and 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 2018/19.

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 BDO LLP via the Audit Manager, Francesca Palmer at Francesca.Palmer@bdo.co.uk

Simon Freeman
Head of Finance / Deputy to the Managing Director
31 July 2019



STATEMENT OF ACCOUNTS 2018/19

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 and Deputy to the Managing Director;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Responsibilities of the Head of Finance / Deputy to the Managing Director

The Head of Finance and Deputy to the Managing Director 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 / Deputy to the Managing Director 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 and Deputy to the Managing Director 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 19 to 120 presents a true and fair view of the financial position of Harlow District Council as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

The unaudited accounts were issued on 31 May 2019 and, when completed, the audited accounts are due to be presented to the Council's Audit and Standards Committee on 31 July 2019 for review, immediately prior to being authorised and issued for publication.

Signed *Due to be signed 31 July 2019* Date
Simon Freeman CPFA
Head of Finance and Deputy to the Managing Director

Signed *Due to be signed 31 July 2019* Date
Councillor Stefan Mullard
Chair of Audit and Standards Committee



CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

	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 2017 carried forward	5,459	16,460	12,975	4,434	1,893	3,583	44,804	500,977	545,781
Movement in reserves during 2017/18									
Surplus / (Deficit) on the provision of services	(2,767)		(34,131)				(36,898)		(36,898)
Other Comprehensive Income and Expenditure								87,974	87,974
Total Comprehensive Income and Expenditure	(2,767)		(34,131)				(36,898)	87,974	51,076
Adjustments between accounting basis & funding basis under regulations (Note 6)	4,814		35,331		5,165	(1,637)	43,673	(43,673)	
Net Increase / (Decrease) before Transfers to Earmarked Reserves	2,047		1,200		5,165	(1,637)	6,775	44,301	51,076
Transfers to/ (from) Earmarked Reserves (Note 21)	(771)	771	(71)	71					
Increase / (Decrease) in 2017/18	1,276	771	1,129	71	5,165	(1,637)	6,775	44,301	51,076
Balance at 31 March 2018 carried forward	6,735	17,231	14,104	4,505	7,058	1,946	51,579	545,278	596,857
Movement in reserves during 2018/19									
Surplus / (Deficit) on the provision of services	(7,252)		(16,973)				(24,225)		(24,225)
Other Comprehensive Income and Expenditure								43,177	43,177
Total Comprehensive Income and Expenditure	(7,252)		(16,973)				(24,225)	43,177	18,952
Adjustments between accounting basis & funding basis under regulations (Note 6)	13,455		16,597		(2,584)	(648)	26,820	(26,820)	
Net Increase / (Decrease) before Transfers to Earmarked Reserves	6,203		(376)		(2,584)	(648)	2,595	16,357	18,952
Transfers to/ (from) Earmarked Reserves (Note 21)	(6,750)	6,750	3	(3)					
Increase / (Decrease) in 2018/19	(547)	6,750	(373)	(3)	(2,584)	(648)	2,595	16,357	18,952
Balance at 31 March 2019 carried forward	6,188	23,981	13,731	4,502	4,474	1,298	54,174	561,627	615,801

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Notes	Gross Expenditure £000s	2018/19 Gross Income £000s	Net Expenditure £000s	2017/18 Net Expenditure £000s
Managing Director and Services		185	-	185	240
Community Wellbeing		8,057	(2,277)	5,781	4,796
Finance		33,083	(29,577)	3,506	3,998
Place		16,510	(11,760)	4,751	3,166
Housing GF		2,402	(937)	1,465	978
Governance		2,229	(337)	1,892	1,620
Housing HRA		54,047	(49,023)	5,024	12,038
Cost of Services		116,514	(93,910)	22,604	26,836
Other Operating Expenditure	7			6,356	15,057
Financing and Investment Income and Expenditure	8			8,681	9,398
Taxation and Non-Specific Grant Income	9			(13,415)	(14,394)
(Surplus)/ Deficit on Provision of Services				24,225	36,897
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets				(26,981)	(74,412)
(Surplus)/ Deficit on Revaluation of Available for Sale Financial Assets				(7)	(77)
Actuarial (Gains)/ Losses on Pension Assets and Liabilities				(16,190)	(13,485)
Other Comprehensive Income and Expenditure				(43,177)	(87,974)
Total Comprehensive Income and Expenditure				(18,952)	(51,077)

BALANCE SHEET

	Note	2017/18		
		2018/19	Restated **	2017/18
		£000	£000	£000
Property, Plant and Equipment	10	871,066	859,134	859,134
Heritage Assets	11	1,738	1,622	1,622
Investment Property	12	1,916	1,906	1,906
Intangible Assets	13	623	766	766
Long-Term Investments	14	3,961	1,955	1,955
Long-Term Debtors	42	4,136	1,417	1,417
Long-Term Assets		883,440	866,800	866,800
Short-Term Investments	14	7,524	11,321	11,321
Assets Held for Sale	18	1,554	1,528	1,528
Inventories	15	40	33	33
Short-Term Debtors	16	15,951	16,256	13,067
Cash and Cash Equivalents	17	21,501	25,603	25,603
Current Assets		46,570	54,741	51,552
Short-Term Borrowing	14	(81)	(81)	(81)
Short-Term Creditors	19	(23,139)	(19,474)	(16,285)
Short-Term Provisions	20	(1,133)	(1,117)	(1,117)
Current Liabilities		(24,353)	(20,672)	(17,483)
Long-Term Creditors	14	(224)	(383)	(383)
Long-Term Borrowing	40	(211,837)	(211,837)	(211,837)
Other Long-Term Liabilities	41	(77,626)	(91,696)	(91,696)
Grants Receipts in Advance - Capital	32	(169)	(96)	(96)
Long-Term Liabilities		(289,856)	(304,012)	(304,012)
Net Assets		615,801	596,857	596,857
Usable Reserves	21	(54,174)	(51,579)	(51,579)
Unusable Reserves	22	(561,627)	(545,278)	(545,278)
Total Reserves		(615,801)	(596,857)	(596,857)

** See Notes 16 and 19.

The unaudited accounts were issued on 31 May 2019. The draft Statement of Accounts as set out on pages 19 to 120 presents a true and fair view of the financial position of Harlow District Council as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Signed:

Simon Freeman CPFA
Head of Finance and Deputy to the Managing Director
31 May 2019

CASH FLOW STATEMENT

	Note	2018/19 £000s	2017/18 £000s
Net Surplus/(Deficit) on the Provision of Services		(24,225)	(36,897)
Adjustments to Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements		46,489	60,484
Adjustments for Items Included in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities		(5,221)	(6,577)
Net Cash Flows from Operating Activities	23	17,043	17,010
Investing Activities	24	(19,826)	(10,435)
Financing Activities	25	(1,318)	(1,502)
Net (Increase)/Decrease in Cash and Cash Equivalents		(4,102)	5,073
Cash and Cash Equivalents at the Beginning of the Reporting Period		25,603	20,530
Cash and Cash Equivalents at the End of the Reporting Period	17	21,501	25,603

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**ACCOUNTING POLICIES
and
NOTES TO
THE ACCOUNTS**

ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's financial transactions for 2018/19 and its position at 31 March 2019. The Accounts and Audit Regulations 2015 require the Council's accounts to be prepared in accordance with proper accounting practices, namely the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS).

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. The Statement of Accounts has been prepared on a 'going concern' basis.

ii. Recognition of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Government grants and third party contributions are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that the grants or contributions will be received. Where conditions attached to grants or contributions have not been satisfied, monies received to date are carried in the Balance Sheet as creditors and credited to the Comprehensive Income and Expenditure Statement (CIES) when the conditions are satisfied. Where capital grants are credited to the CIES 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.

Supplies are recorded as expenditure when they are consumed. If there is a gap between the date supplies are received and their consumption, they are carried as inventories in the Balance Sheet. Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours demand without material penalty. Cash equivalents are highly liquid investments that mature in three months or less and that are readily convertible to known amounts of cash with low 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 strategy.

iv. Collection Fund

The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities, central government and precepting bodies of council tax and non-domestic rates (NDR). There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the bodies (i.e. major preceptors, the billing authority and the Government).

The Collection Fund is effectively an agency account from which income, expenditure and balance sheet transactions are apportioned between the Council, central government and precepting bodies.

The council tax and NDR income included in the CIES is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR which must be included in the Council's General Fund. As a result, the difference between the income included in the CIES 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. 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 and prepayments and appeals.

v. Employee Benefits

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure in the relevant service line in the CIES.

Termination Benefits

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, these costs are charged on an accruals basis to the respective service line in the CIES.

Post-Employment Benefits

Council employees are members of the Local Government Pensions Scheme (LGPS), administered by Essex County Council. The scheme provides defined benefits (retirement lump sums and pensions) to members, earned whilst employees are working for Council.

The LGPS is accounted for as a defined benefits scheme

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

The change in the net pension liability is analysed into its components:

- Service Cost: the increase in liabilities as a result of years of service earned this year (current service cost) is allocated in the CIES to the services for which the employees worked. Past service cost is a change to the defined benefit obligation resulting from a scheme amendment or curtailment. The Council's accounts also recognise a gain or loss on settlement when the settlement occurs. The settlement is deemed to occur when the Council enters into a transaction which eliminates all further obligations for part or all of the benefits provided under the scheme.

- Net interest on the net defined benefit liability: the expected increase in the present value of liabilities during the year as they move one year closer to being paid offset by the interest on assets which is the interest on assets held at the start of the year and cash flows occurring during the period. The result is debited to the Financing and Investment Income and Expenditure line in the CIES.
- Remeasurements: these comprise the return on plan assets excluding amounts included in net interest and actuarial gains and losses (changes in the net pension liability which arise because actuaries have updated their assumptions). These are charged to the CIES as Other Comprehensive Income and Expenditure.
- 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.

vi. Harlow Trading Services (Property and Environment) Ltd. (HTS)

HTS is a wholly owned company of the Council providing a range of environmental and property maintenance services in the district. Its accounting policies are not materially different to those of the Council and the appropriate elements of its accounts are included in the group accounts. HTS is an admitted body to the Local Government Pension Scheme referred to in paragraph v. As such, HTS makes fixed contributions to the pension fund and its employees in the scheme are entitled to the post-employment benefits from the scheme. The Council makes further contributions to the fund in respect of HTS employees to ensure that the pension liability attributable to HTS is fully funded. As such, that pension fund liability is included in the pension disclosures in the single entity accounts of the Council.

vii. Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the instrument.

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at amortised cost. For the Council’s borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest. Interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets classed as loans and receivables are initially measured at fair value (except for trade receivables which are measured at transaction price) and are carried at amortised cost. For the Council this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest. Interest credited to the CIES is the amount receivable for the year in the loan agreement. Financial assets classed as available for sale have been valued at fair value. Changes in fair value are balanced by an entry in the Available for Sale Reserve. Dividends are credited to the CIES when they become receivable by the Council. Financial assets at Fair Value through Profit and Loss are carried at fair value. Changes in fair value are credited to the CIES. Financial assets are subsequently measured to reflect any impairment loss, if material, based on the probability of loan or receivable defaults.

viii. Leases

Leases are classified as finance leases where their terms transfer substantially all the risks and rewards of ownership of the asset 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.

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.

Property, Plant and Equipment held 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).

Operating Leases

Rentals paid under operating leases are charged to the CIES 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 and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.

Operating Leases

Where the Council grants an operating lease over an asset, this is retained on the Balance Sheet. Rental income is recognised in the CIES on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease).

ix. 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.

x. Property, Plant and Equipment

Recognition

Expenditure of £5,000 or more 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. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost. This comprises the purchase price and any costs attributable to bringing the asset to an operational condition. 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 cash inflow or improved service potential for the Council). 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.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – historical cost
- council housing – fair value based existing use value for social housing (EUV-SH)
- surplus assets – current value estimated at highest and best price reasonably achievable in the current market less estimated costs to sell;
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use

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. For non-property assets that have short useful lives, or low values (or both), depreciated historical cost is used as an estimate of fair value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value and, as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the CIES 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 CIES.

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.

Disposals

When an asset is disposed of or is decommissioned the carrying amount of the asset on the Balance Sheet is written off to the CIES, alongside any receipts from the disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. All sale proceeds in excess of £10,000 are classed as capital receipts.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment 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 which are under construction and not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

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

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

Componentisation is the separate recognition of different parts of an asset, with different remaining useful lives and calculations of depreciation. The Council's external valuers, Wilks Head and Eve, give a single valuation for each asset by applying a weighted average remaining useful life. This gives a single asset register entry and one depreciation amount for all components.

xi. Intangible Assets

Recognition

Expenditure on the acquisition, creation or enhancement of intangible assets (computer software and software licenses) is capitalised on an accruals basis, provided that the future economic benefits or service potential associated with the item will flow to the Council and, in the case of internally generated software, where it can be demonstrated that the project is technically feasible and that management is committed to its completion.

Measurement

Intangible assets are measured initially at cost and are revalued if a fair value can be determined by reference to an active market. Otherwise assets are carried at amortised cost. Amortisation is on a straight-line basis over the asset's useful life. Where an asset is impaired, losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss

arising from the disposal or removal of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

xii. Non-current Assets Held for Sale

Property assets where a disposal is highly probable within the next 12 months and the asset is available for sale in its present condition are classified as assets held for sale. Management must be committed to the sale within one year from the date of classification. Depreciation is not charged on assets held for sale.

When an asset is disposed of, the carrying amount in the Balance Sheet is written off to the CIES as part of the gain or loss on disposal. Receipts from disposals are also credited to the same line in the CIES. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Receipts from disposals in excess of £10,000 are categorised as capital receipts. The net loss or gain on disposal is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

xiii. Provisions and Contingent Liabilities

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation likely to require settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES 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.

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 are not recognized in the balance sheet but disclosed in a note to the accounts.

xiv. Reserves

The Council sets aside specific amounts as earmarked reserves for future policy purposes and to cover contingencies (such as self-financing insurance cover). The Council also has a range of perpetuity reserves, which were established using historical funds paid to the Council as part of property transactions. The funds are used for the 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 CIES. 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, the sums are held in earmarked grants reserves and carried over to subsequent accounting periods. Where the Council has accrued for the receipt of non-domestic rates safety net payments from Central Government the amounts are set aside in an earmarked reserve to finance related expenditure in the following accounting period.

Certain reserves (Unusable Reserves) are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – where appropriate these reserves are explained in the relevant policies.

xv. 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 CIES 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.

xvi. Value Added Tax (VAT)

VAT payable is included in the accounts, whether of a revenue or capital nature, only to the extent that it is not recoverable.

xvii. 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 in the principal market for the asset or liability, or, 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.

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NOTES TO THE ACCOUNTS

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1. EXPENDITURE AND FUNDING ANALYSIS

Notes	Net Expenditure Chargeable to the General Fund and HRA Balances	2018/19 Adjustment between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	2017-18 Adjustment between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s	£000s
Managing Director	184	1	185	234	6	240
Community Wellbeing	4,035	1,746	5,781	3,292	1,504	4,796
Finance	4,288	(782)	3,506	5,736	(1,738)	3,998
Place	1,726	3,025	4,751	1,139	2,027	3,166
Housing GF	1,194	271	1,465	830	148	978
Governance	1,591	301	1,892	1,175	445	1,620
Housing HRA	(10,048)	15,072	5,024	(11,388)	23,426	12,038
Net Cost of Services	2,970	19,634	22,604	1,018	25,818	26,836
Other Income and Expenditure	(8,797)	10,418	1,621	(4,268)	14,329	10,061
(Surplus)/ Deficit	(5,827)	30,052	24,225	(3,250)	40,147	36,897
Opening General Fund and HRA Balance	42,577			39,327		
Plus Surplus / Less (Deficit) on General Fund and HRA Balance in Year	5,827			3,250		
Closing General Fund and HRA Balance at 31 March	48,404			42,577		

The Adjustments between Funding and Accounting Basis column reflects major adjusting items in respect of:

Capital purposes – adding in depreciation and impairment and revaluation gains and losses in respect of council dwellings and other land and buildings; adjusting for the sale of land or buildings; adding in the statutory charge for the repayment of borrowing; adjusting for capital grants received.

Pensions – removing employer pension contributions allowed by statute and replacing with the current and past costs allowed under international accounting standards; including interest notionally payable on the actuarial defined pension liability.

Other – reflecting the timing difference between the forecast of council tax and non-domestic rates to be received which is included in the accounts and the actual amounts received.

Amounts of the adjustments are in the following tables.

Adjustment between Funding and Accounting Basis

Adjustment from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19			Total Adjustment £000s
	Adjustment for Capital Purpose £000s	Net Change for Pensions Adjustment £000s	Other differences £000s	
GENERAL FUND RESERVES				
Managing Director	-	-	(1)	(1)
Community Wellbeing	(944)	(803)	-	(1,747)
Finance	(166)	950	-	784
Place	(2,284)	(745)	3	(3,026)
Housing GF	(4)	(267)	-	(271)
Governance	-	(302)	1	(301)
Housing HRA	(16,372)	1,296	4	(15,072)
Net Cost of Services	(19,770)	129	7	(19,634)
Other Income and Expenditure from the Expenditure Funding Analysis	(5,603)	(2,251)	(2,564)	(10,418)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services	(25,373)	(2,122)	(2,557)	(30,052)

Adjustment between Funding and Accounting Basis

Adjustment from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2017/18			Total Adjustment £000s
	Adjustment for Capital Purpose £000s	Net Change for Pensions Adjustment £000s	Other differences £000s	
GENERAL FUND RESERVES				
Managing Director	-	(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	-	(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 Statement Surplus or deficit on the provision of services	(40,434)	(1,601)	1,888	(40,147)

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (page 23). The Council's expenditure and income can be analysed as follows:

Expenditure and Income by Nature	2018/19 £000s	2017/18 £000s
Expenditure		
Employee Benefits Expenses	22,811	20,337
Other Services Expenses	61,304	66,672
Depreciation, Amortisation and Impairment	34,060	39,906
Interest Payments	7,018	7,034
Payment to Housing Capital Receipts Pool	4,485	2,230
Loss / (Gain) on the Disposal of Assets	2,543	12,827
Total Expenditure	132,221	149,006
Income		
Fees, Charges and Other Services Income	(62,754)	(61,859)
Interest and Investment Income	(677)	(401)
Income from Council Tax and Business Rates	(11,327)	(11,674)
Government Grants and Contributions	(33,133)	(38,057)
Other	(105)	(118)
Total Income	(107,996)	(112,109)
Surplus or deficit on the provision of services	24,225	36,897

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in pages 28 to 35, the Council has had to make certain judgements about complex transactions, or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Employees of the Council's wholly owned subsidiary, Harlow Trading Services (HTS) (Property and Environment) Ltd., are members of the Local Government Pension Scheme which is a defined benefit scheme. The Council has guaranteed any future pension liabilities of the company and pays employer's contributions to the scheme, on behalf of the employees, above a level agreed with the company. As such the company makes defined contributions to the scheme. The Council has determined that the arrangement does not constitute a pool for pension reporting purposes and includes the total amount of contributions in its reporting of the defined benefit pension scheme.
- The Council has employed the Weighted Average Remaining Useful Life (WARUL) method in determining the remaining useful life of its council housing stock. The method takes into account the useful lives of various components of the "beacon" properties used in the valuation of the stock. The resulting average useful lives of 54 years has been used to calculate the depreciation charge for the year.

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

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £192,000 for every year that useful lives had to be reduced.
Provisions	The Council has made a provision of £2.533 million for the effect of changes to and successful appeals against Business Rates valuations, based on historical and current data. Of that amount £1.013 million is attributable to the Council and £1.529 million to the Government, Essex County Council and Essex Fire Authority. It is not certain that all valid appeals have been received nor that precedents set by other authorities in the settlement of appeals will be applicable.	Should the value of changes and appeals actually settled increase or reduce by 10%, it would be necessary to add or subtract £253,000 to the total amount required, of which £101,300 would be attributable to the Council.
Pensions 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	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.5% increase in the discount rate assumption would result in a reduction in the pension liability of £970,000. However, the assumptions interact in

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>retirement ages, mortality rates and expected returns on pension fund assets. Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>Harlow Council Accounts include the Pension costs and liabilities of its wholly owned subsidiary Harlow Trading Services (Property and Environment) Limited.</p>	<p>complex ways. During 2018/19, the Council's actuaries advised that the net pension liability had increased by £11.592 million as a result of changes in financial assumptions and reduced by £16.197 million as a result of changes in demographic assumptions.</p>
Arrears	<p>At 31 March 2019, the Council had made significant allowances for the impairment of debts, totalling £5.9 million. In the current economic climate. Including the effect of housing welfare reforms, it is not certain that the allowance is sufficient.</p>	<p>If the Council's collection rates were to deteriorate, an increase in the current provisions by 1% would require an extra provision of £59,000.</p>

4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

Revaluation of Council Properties

The Council had its non-current assets valued as at 1 April 2018. A further exercise has been undertaken to determine whether there has been any material changes in values between that date and 31 March 2019. For housing assets, this has resulted in a new valuation as at 31 March 2019. Movements and balances for non-current assets is shown in Note 10 (page 50).

Council Tax

The Council received £7.653 million from the Collection Fund as its share of Council Tax receipts in 2018/19 (£7.323 million in 2017/18).

Non Domestic (Business) Rates

The Council received Non Domestic Rates of £18.871 million under the rate retention system in 2018/19 (£17.364 million in 2017-18). This was offset by a payment to the Government under the system of £15.311 million as a tariff (£14.733 million in 2017/18).

Housing Benefits

The Council has incurred spending of £27.792 million on housing benefits in 2018/19 (£32.855 million in 2017/18) and received Government grants of £27.285 million to meet this cost (£31.983 million in 2017/18).

Harlow Trading Services (HTS) (Property and Environment) Ltd.

The Council paid a net amount of £23.271 million to its wholly owned company in 2018/19 (£20.699 million in 2017/18) for the provision of a range of services which include housing property services, grounds maintenance, street cleaning and capital works.

Pensions

The Council paid £5.295 million in 2018/19 (£6.081 million in 2017/18) into the Local Government Pension Scheme, in respect of the pension fund deficit. The Council also paid £0.603 million into the Scheme in 2018/19 (£0.504 in 2017/18) as a contribution in respect of the employees of HTS (Property and Environment) Ltd.

Grants

The Council received a number of material grants during the year and details of these are contained in Note 32 (page 79).

5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Head of Finance and Deputy to the Managing Director on 31 May 2019. Events taking place after this date are not reflected in the financial statements nor notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to fund future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. It summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Housing Revenue Account (HRA) Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision. It contains the balance of income and expenditure as defined by legislation that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or

to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2018/19	Usable Reserves					Movement in Unusable Reserves £000s
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000s	£000s	£000s	£000s	£000s	
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(2,486)	(17,030)				19,516
Revaluation losses on Property Plant and Equipment	(651)	(3,144)				3,795
Movements in the fair value of Investment Properties	10					(10)
Amortisation of intangible assets	(239)	(76)				315
Capital grants and contributions applied	755	120				(875)
Revenue expenditure funded from capital under statute	(673)					673
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	(480)	(7,538)				8,018
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	250					(250)
Capital expenditure charged against the General Fund and HRA balances	269	3,950				(4,219)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(82)	10			72	
Application of grants to capital financing transferred to the Capital Adjustment Account					576	(576)
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	329	5,818	(6,147)			
Use of the Capital Receipts Reserve to finance new capital expenditure			4,243			(4,243)

2018/19 continued	Usable Reserves					Movement in Unusable Reserves £000s
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(4,485)		4,485			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(1)			1
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA				(10,362)		10,362
Use of the Major Repairs Reserve to finance new capital expenditure				10,362		(10,362)
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			7			(7)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,684)	(1,335)				8,019
Employer's pensions contributions and direct payments to pensioners payable in the year	3,280	2,618				(5,898)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,571)					2,571
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	3	3				(6)
Total Adjustments	(13,455)	(16,597)	2,580	0	648	26,824

2017/18	Usable Reserves					Movement in Unusable Reserves £000s
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000s	£000s	£000s	£000s	£000s	
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(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 £000s
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £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

7. OTHER OPERATING EXPENDITURE

	2018/19 £000s	2017/18 £000s
Payments to the Government Housing Capital Receipts Pool	4,485	2,230
(Gains)/ Losses on the disposal of Non-Current Assets	1,871	12,827
Total	6,356	15,057

8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2018/19 £000s	2017/18 £000s
Interest payable and similar charges	7,033	7,032
Pensions interest cost and expected return on pensions assets	2,335	2,767
Interest receivable and similar income	(577)	(193)
Income and expenditure in relation to investment properties and changes in their fair value	(10)	(117)
Other investment income	(100)	(91)
Total	8,681	9,398

9. TAXATION AND NON-SPECIFIC GRANT INCOME

	2018/19 £000s	2017/18 £000s
Council Tax income	7,377	7,225
Retained Business Rates	3,948	4,449
Revenue Support Grant	178	603
Non-ringfenced government grants	1,773	1,840
Capital grants and contributions	139	277
Total	13,415	14,394

10. PROPERTY, PLANT AND EQUIPMENT

Movements in 2018/19

2018/19	Property, Plant and Equipment							
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation at 1 April 2018	725,374	117,257	6,995	9,389	948	5,822	4,851	870,636
Additions	16,899	1,610	653	717	113	2	6,771	26,765
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	6,696	16,550	-	-	-	210	875	24,331
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(24,768)	(5,909)	-	-	-	(45)	-	(30,722)
Derecognition - Disposals	(1,738)	(209)	(331)	-	-	(4,335)	-	(6,613)
Other movements in cost or valuation	(1,539)	(130)	-	(73)	73	-	130	(1,539)
Cost of Valuation at 31 March 2019	720,924	129,169	7,317	10,033	1,134	1,654	12,627	882,859
Accumulated Depreciation and Impairment at 1 April 2018	-	(3,334)	(5,666)	(2,495)	(2)	(5)	-	(11,502)
Depreciation Charge	(10,123)	(1,284)	(279)	(311)	(7)	(11)	-	(12,015)
Depreciation written out to the Revaluation Reserve	5,305	1,563	-	-	-	7	-	6,876
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	4,818	34	-	-	-	(3)	-	4,849
Accumulated Depreciation and Impairment at 31 March 2019	-	(3,021)	(5,945)	(2,806)	(9)	(12)	-	(11,793)
Net Book Value								
At 31 March 2019	720,924	126,148	1,372	7,227	1,125	1,643	12,627	871,066
At 31 March 2018	725,374	113,923	1,329	6,894	946	5,817	4,851	859,134
	(4,450)	12,225	43	333	179	(4,174)	7,776	11,932

Comparative Movements 2017/18

2017/18	Property, Plant and Equipment							
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost 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	-	(3,410)	(5,386)	(2,192)	(2)	(43)	-	(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	-	(3,334)	(5,666)	(2,495)	(2)	(5)	-	(11,502)
Net Book Value								
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
	32,192	1,316	183	(62)	1	(2,451)	3,931	35,110

10.1 Depreciation

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

- Council Dwellings – 54 years
- Other Land and Buildings – 4 to 53 years
- Vehicles, Plant, Furniture and Equipment – 5 years.
- Infrastructure – 40 years.

10.2 Capital Commitments

As at 31 March 2019 the Council had entered into a number of contracts for enhancement to Property, Plant and Equipment and other assets in 2019/20 and future years budgeted to cost £10.520 million. Similar commitments at 31 March 2018 were £7.912 million. The major commitments are:

Scheme	Future Commitment £000s
Enterprise Zone	5,460
Housing	2,968
Prentice Place	2,041
Sports and Leisure	51
Total	10,520

10.3 Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current 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.

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

Surplus Assets – The Council has one Council dwelling pending refurbishment.

Council Dwellings - Housing Beacons were valued by Wilks Head and Eve as at 1 April 2018 as part of the valuation process and reviewed as at 31 March 2019. The number of dwellings pending disposal 31 March 2019 was 20, all being pending 'Right To Buy' sales.

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	347,031	69,610	1,374	1,538	419,553
Valued at fair value as at:					
31 March 2019	720,923	126,150	1,372	1,643	850,087
31 March 2018	725,374	113,923	1,329	5,817	846,443
31 March 2017	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 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	-	557,760
31 March 2010	626,667	35,593	4,415	-	666,675

11. HERITAGE ASSETS

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	Community Heritage Assets	Art Collection	Total
	£000s	£000s	£000s	£000s
Cost or valuation: as at 1 April 2017	612	153	857	1,622
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	1	-	1
Depreciation	-	(1)	-	(1)
as at 31 March 2018	612	153	857	1,622
Cost or valuation: as at 1 April 2018	612	153	857	1,622
Revaluations	-	-	117	117
Depreciation	-	(1)	-	(1)
as at 31 March 2019	612	152	974	1,738

Artefacts held at the Museum of Harlow

The 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 2018/19.

Fine arts including sculpture, civic gifts and regalia

Harlow New Town is the creation of landscape architect Sir Frederick Gibberd who 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.

Acquisitions are initially recognised at cost, and donated assets at a valuation provided by external valuers 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 which are excluded from the Balance Sheet as they are of low monetary value

Community heritage assets

These 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 established 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 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 in 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 Princess Alexandra Hospital.

The Council does not consider that reliable cost information or valuations can be obtained for these sites. The 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.

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 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.

12. INVESTMENT PROPERTIES

The Council owns investment property (comprising land, offices, houses, depots, public conveniences and industrial and retail estates) solely to earn rentals or for capital appreciation or both. There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property.

The following table summarises the movement in the fair value of investment properties over the year:

Movement in the fair value of Investment Properties	2018/19	2017/18
	£000s	£000s
Balance at 1 April	1,906	1,789
Additions:		
Subsequent Expenditure	20	50
Disposals:		
Net gains/ (losses) from fair value adjustments	(10)	67
Balance at 31 March	1,916	1,906

Fair Value Hierarchy

Investment property has been valued by the Council's valuers, Wilks Head and Eve, on the basis of the following fair value measurement inputs:

Level 1 – Quoted prices in active markets for identical assets

Level 2 – Other significant observable inputs

Level 3 – Significant unobservable inputs.

The valuer is of the view that all of the Council's investment property should be categorised at Level 2 in the fair value hierarchy. Fair value has 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.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use derived 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. Current use has been determined by applying an income or comparative approach based on the rental value of the property. 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.

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 subjectivity, the valuer is of the view that the valuations comprise a higher proportion of observable inputs rather than unobservable inputs.

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 intangible assets, to the extent that the software is not an integral part of a particular system and accounted for as part of the hardware item of property, plant and equipment. Intangible assets include both purchased licenses and software. The Council has no internally generated 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.

Intangible Assets	Useful Life
Orchard Housing IT Development	4 years
IT software	5 years
Electoral Register Canvass Software	5 years
Town Park Vision	5 years
Planning and Delivery Grant	5 years
Pitch Regeneration.	5 years

Amortisation of intangible assets costs in 2018/19 totalled £315,000 and included as expenditure within the following services:

	£
Community Wellbeing	113,000
Finance	19,000
Place	31,000
Housing HRA	76,000

Further amortisation of £69,000 was initially charged to an administration cost centre and then absorbed as an overhead across all service headings in the Cost of Services. Similarly, £7,000 was charged to revenue against the operation of the Civic Centre. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The carrying amount of the assets is amortised on a straight-line basis. The movement on asset balances during the year is as follows:

	2018/19	2017/18
	£000s	£000s
Movement on Intangible Asset Balances		
Balance at start of year:		
- Gross carrying amounts	4,039	3,895
- Accumulated amortisation	(3,273)	(2,941)
Net carrying amount at start of year	766	954
Additions:		
- Purchases	172	144
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	1
Amortisation for the period	(315)	(333)
Net carrying amount at end of year	623	766
Comprising:		
- Gross carrying amounts	4,211	4,039
- Accumulated amortisation	(3,588)	(3,273)
	623	766

14. FINANCIAL INSTRUMENTS

Categories of Financial Instruments carried in the Balance Sheet

Financial Assets

Financial assets carried in the balance sheet are measured at fair value through profit or loss; amortised cost; or fair value through other comprehensive income (designated equity instruments):

	Non-Current			
	Investments etc		Debtors	
	as at 31 Mar 2019 £000s	as at 31 Mar 2018 £000s	as at 31 Mar 2019 £000s	as at 31 Mar 2018 £000s
Fair Value through Profit or Loss	-	-	-	-
Amortised Cost	-	-	4,136	1,417
Fair Value through Other Comprehensive Income - designated equity instruments	3,961	1,955	-	-
Total Financial Assets	3,961	1,955	4,136	1,417

	Current			
	Investments etc		Debtors	
	as at 31 Mar 2019 £000s	as at 31 Mar 2018 £000s	as at 31 Mar 2019 £000s	as at 31 Mar 2018 £000s
Fair Value through Profit or Loss	9,710	14,170	-	-
Amortised Cost	19,315	22,734	7,534	9,123
Fair Value through Other Comprehensive Income - designated equity instruments	-	-	-	-
Total Financial Assets	29,025	36,904	7,534	9,123

	Total	
	as at 31 Mar 2019 £000s	as at 31 Mar 2018 £000s
Fair Value through Profit or Loss	9,710	14,170
Amortised Cost	30,985	33,274
Fair Value through Other Comprehensive Income - designated equity instruments	3,961	1,955
Total Financial Assets	44,656	49,399

Financial Liabilities

Financial liabilities carried in the balance sheet are measured at amortised cost:

	Non-Current			
	Borrowings etc		Creditors	
	as at 31 Mar 2019 £000	as at 31 Mar 2018 £000	as at 31 Mar 2019 £000	as at 31 Mar 2018 £000
Amortised Cost	211,837	211,837	224	383
Total Financial Liabilities	211,837	211,837	224	383

	Current			
	Borrowings etc		Creditors	
	as at 31 Mar 2019 £000	as at 31 Mar 2018 £000	as at 31 Mar 2019 £000	as at 31 Mar 2018 £000
Amortised Cost	81	81	11,885	8,094
Total Financial Liabilities	81	81	11,885	8,094

	Total	
	as at 31 Mar 2019 £000	as at 31 Mar 2018 £000
Amortised Cost	224,027	220,395
Total Financial Liabilities	224,027	220,395

Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income

The following equity instruments have been designated at fair value through other comprehensive income.

The Council invested £2 million in 2015/16 in the Churches, Charities and Local Authorities Investment Management Ltd. (CCLA) specialist property fund (which is only available to local authority investors) to achieve an attractive income and capital growth over time. The units in the fund are valued based on the overall value 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. The gain on the instrument of £30,000 in 2018/19 (£89,000 in 2017/18) has been charged to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

The Council invested £2 million in the Royal London Cash Plus Fund in 2017/18 in order to diversify its investments held for treasury management purposes. The amount invested is fully liquid and the Council is free to divest itself of its investment at any time, receiving a payment based on the number of units held multiplied by the quoted redemption price per unit. The loss on the instrument of £24,000 in 2018/19 (£1,000 loss in 2017/18) has been credited to Other

Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

	as at 31 Mar 2019	as at 31 Mar 2018
	£000s	£000s
Non-current assets (Long-term)		
CCLA Property Fund	1,985	1,955
Royal London Cash Plus Fund	1,976	-
Total	3,961	1,955

Note: Fair value is assessed at input level 1 of the fair value hierarchy - unadjusted quoted prices in active markets for identical assets.

Income, Expense, Gains and Losses

	Surplus or Deficit on the Provision of Services		Other Comprehensive Income and Expenditure	
	as at 31 Mar 2019	as at 31 Mar 2018	as at 31 Mar 2019	as at 31 Mar 2018
	£000	£000	£000	£000
Net gains / losses on:				
Investments in equity instruments designated at fair value through other comprehensive income			(7)	(88)
Total net (gains) / losses	-	-	(7)	(88)
Interest revenue:				
Financial assets measured at amortised cost	(577)	(193)	(100)	(91)
Total interest revenue	(577)	(193)	(100)	(91)
Interest expense	7,033	7,032		

Fair Values of Financial Instruments

The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The fair value of most financial assets, including money market and other pooled funds, is taken from the market price (level 1 of the fair value hierarchy – quoted prices in active markets for identical assets). The fair value of loans for service purposes is classed as level 2 of the hierarchy - calculated from inputs other than quoted prices that are observable for the asset, e.g. interest rates or yields for similar instruments

Financial liabilities, Public Works Loan Board (PWL B) borrowing, is carried in the balance sheet at amortised cost. The fair value (level 2 of the hierarchy - calculated from inputs other than quoted prices that are observable for the asset, e.g. interest rates or yields for similar instruments) has been estimated by discounting the contractual cash flows over the whole life

of the instrument at the appropriate market rate for local authority loans and with the following assumptions:

- the market rate is the published interest rate for new certainty rate loans arranged on 31st March 2019;
- no early repayment or impairment is recognised.

Fair values are as follows:

Fair Values of Financial Assets and Financial Liabilities	as at 31 March 2019		as at 31 March 2018	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Financial Assets				
Investment Balances	31,762	31,762	37,547	37,527
Loans for Service Purposes	4,136	4,136	1,417	1,417
Trade Receivables	7,534	7,534	9,123	9,123
Total Assets	43,432	43,432	48,087	48,067
Financial Liabilities				
PWLB Borrowing	211,837	246,859	211,837	243,864
Trade payables	12,108	12,108	8,476	8,476
Total Liabilities	223,945	258,967	220,313	252,340

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 current rates available for similar loans in the market at the Balance Sheet date. Loans for Service Purposes include long-term debtors of £3.503 million. Trade Receivables include long-term leaseholder debtors of £0.288 million.

Transfers between Levels of the Fair Value Hierarchy and Changes in the Valuation Technique

There were no transfers or changes during the year.

15. INVENTORIES

	2018/19 £000s	2017/18 £000s
Balance at 1 April	33	34
Purchases	306	291
Recognised as an expense in the year	(299)	(288)
Written-off balances	-	(4)
Balance at 31 March	40	33

16. DEBTORS

The table below shows the amount that was owed to the Council at 31 March 2019 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

	Balance as at 31 March 2019 £000s	Balance as at 31 March 2018 Restated £000s	Balance as at 31 March 2018 £000s
Trade Receivables	7,534	9,123	7,530
Business Rates	686	623	1,562
Housing Rents	5,543	4,947	1,993
Council Tax	1,755	1,101	1,521
Prepayments	228	85	84
Related Parties	167	348	348
Other Receivables	37	29	29
Total	15,950	16,256	13,067

Note: The balance as at 31 March 2018 has been restated to correct an error in allocation between debtors and creditors.

17. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	Balance as at 31 March 2019 £000s	Balance as at 31 March 2018 £000s
Cash held by the Council	14	8
Bank current accounts	1,273	1,391
Short-term deposits with financial institutions	20,214	24,204
Total	21,501	25,603

18. ASSETS HELD FOR SALE

	2018/19 £000s	2017/18 £000s
Balance at 1 April	1,528	2,497
Assets newly classified as held for sale:		
- Property, Plant and Equipment	1,539	1,457
Revaluation gains	21	635
Assets sold	(1,534)	(3,061)
Balance at 31 March	1,554	1,528

19. CREDITORS

The table below shows the amount that the Council owed as at 31 March 2019 to third parties, together with amounts received by the Council in advance of supply of goods or services.

	Balance as at 31 March 2019 £000s	Balance as at 31 March 2018 Restated £000s	Balance as at 31 March 2018 £000s
Trade Payables	11,884	8,093	8,094
Receipts in advance	4,209	5,111	3,518
Related Parties	3,915	3,271	4,628
Other Payables	3,131	2,999	45
Total	23,139	19,474	16,285

Note: The balance as at 31 March 2018 has been restated to correct an error in allocation between debtors and creditors.

20. PROVISIONS

Injury and Damage Compensation Claims

The Council has an outstanding liability in respect of outstanding asbestos-related claims at the balance sheet date. Individual amounts are not significant.

Business Rates Appeals

The loss of business rates as a result of changes to and successful appeals against rateable values is a charge to the Collection Fund and shared by those bodies precepting on the fund. A review of the potential liabilities of the fund has been carried out by a firm of professional surveyors, recognising both the value of claims and the likelihood of success. A total provision of £3.455m has been set aside (£2.389m in 2017/18). Of which, 40% (£1.382m in 2018/19 and £0.956m in 2017/18) is attributable to the Council.

Other Provisions

All other provisions are individually insignificant.

Balances and movements in provisions are shown below.

Short-Term Provisions	Injury and Damage Compensation Claims £000s	Business Rates Appeals £000s	Other Provisions £000s	Total £000s
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)
Balance as at 31 March 2018	10	955	152	1,117
Additional provisions made in 2018/19	-	573	69	642
Amounts used in 2018/19	(10)	(515)	(45)	(570)
Unused amounts reversed in 2018/19	-	-	(55)	(55)
Balance as at 31 March 2019	-	1,013	121	1,134

21. USABLE RESERVES AND MOVEMENTS IN EARMARKED RESERVES

The following sets out the amounts set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19.

Usable Reserves	2018/19 £000s	2017/18 £000s
General Fund Balance	6,188	6,735
HRA Balance	13,731	14,104
Earmarked Reserves		
General Fund	17,908	13,684
HRA	4,498	4,506
Earmarked Grants Reserves	6,073	3,548
Capital Grants Unapplied	1,298	1,946
Capital Receipts Reserve	4,478	7,058
Total Usable Reserves at end of the year (31 March)	54,174	51,581

Earmarked Reserve	Balance as at 31 Mar 2017 £000s	2017/18		Balance as at 31 Mar 2018 £000s	2018/19		Balance as at 31 Mar 2019 £000s
		Transfers Out £000s	Transfers In £000s		Transfers Out £000s	Transfers In £000s	
GENERAL FUND RESERVES							
Perpetuity Reserves	946	(4)	5	947	(4)	8	951
Debt Financing Reserve	1,988	-	238	2,226	-	238	2,464
Discretionary Services Fund	2,288	(1,459)	721	1,550	(889)	783	1,444
Environment Reserve	116	-	4	120	-	3	123
Environmental Urgent Works and Improvement Reserve	-	-	-	-	(583)	1,002	419
Housing Benefits Subsidy Reserve	536	-	157	693	-	-	693
Insurance claims	583	(12)	50	621	(16)	50	655
Insurance Fund	1,302	(9)	121	1,414	(23)	126	1,517
Invest To Save Reserve	301	(75)	1	227	(2)	2	227
Partnership Fund	200	-	-	200	-	-	200
Planning Reserve	105	(223)	600	482	(125)	-	357
Regeneration and Enterprise Reserve	1,280	(56)	176	1,400	(214)	2,616	3,802
Regeneration Reserve	1,000	(64)	-	936	(80)	-	856
Residual Land Transfer	131	-	-	131	-	-	131
Revenues and Benefits Service Structural Process Review Reserve	87	-	-	87	-	136	223
Risk Management Reserve	197	-	40	237	(6)	40	271
Severance Reserve	1,927	-	193	2,120	-	-	2,120
Splash Parks Reserve	-	-	-	-	(8)	750	742
Standards Committee Contingency	50	-	-	50	-	-	50
Street Lighting Reserve	54	(11)	-	43	(42)	-	1
The Harlow and Gilston Garden Town Funding Reserve	-	-	160	160	(3)	500	657
Volunteering Support Reserve	-	-	40	40	(35)	-	5
Total General Fund	13,091	(1,913)	2,506	13,684	(2,030)	6,254	17,908
HRA RESERVES							
Perpetuity Reserves	1,596	(377)	379	1,598	(395)	251	1,454
Housing Insurance Property Reserve	10	-	10	20	-	10	30
HRA OJEU Contract 2015	184	(126)	-	58	(58)	-	-
Insurance claims	580	(37)	50	593	(52)	50	591
Insurance Fund	1,787	(107)	221	1,901	(103)	227	2,025
Risk Management Reserve	277	-	60	337	(9)	60	388
Total HRA	4,434	(647)	720	4,507	(617)	598	4,488
EARMARKED GRANTS RESERVES							
General Fund	3,370	(60)	238	3,548	(156)	2,681	6,073
HRA	-	-	-	-	-	15	15
Total Earmarked Grants	3,370	(60)	238	3,548	(156)	2,696	6,088
Total All Earmarked Reserves	20,895	(2,620)	3,464	21,739	(2,803)	9,548	28,484

General Fund Reserves

Perpetuity Reserves	Amounts set aside to meet long-term contractual obligations under a range of covenants.
Debt Financing Reserve	Established to finance future costs in relation to borrowing.
Discretionary Services Fund	A reserve to fund services to the community that are not required by statute and provide financial support to organisations providing such services.
Environment Reserve	Established from past energy savings, to finance energy-efficiency schemes and measures to reduce future energy usage and emissions.
Environmental Urgent Works and Improvement Reserve	A reserve to carry out works and improvements in the Harlow wider town area.
Housing Benefits Subsidy Reserve	An equalisation reserve to meet any future reductions in subsidy from previous years' increases.
Insurance Claims	To meet any future costs resulting from the insolvency of the Council's previous insurer Municipal Mutual Insurance Ltd.
Insurance Fund	A self-insurance reserve to meet excess charges in respect of policies for theft, motor insurance, employer's liability, fire and dwellings and other minor items.
Invest to Save Reserve	Established from previous years' windfall income, used to deliver service improvements or to fund efficiency initiatives.
Partnership Fund	To meet implementation costs of potential partnership arrangements for the delivery of the Revenues and Benefits service.
Planning Reserve	Used to transfer resources between years should delivery of the Local Development Framework (LDF) be rescheduled.
Regeneration and Enterprise Reserve	A reserve to support Harlow town regeneration.
Regeneration Reserve	A reserve to support the regeneration of the Town Centre.
Residual Land Transfer	Established to meet future re-instatement works to land acquired from the Homes and Communities.
Revenues and Benefits Service Structural Process Review Reserve	A reserve to meet any costs resulting from the Revenues and Benefits service structural process and customer service reviews.
Risk Management Reserve	Established in order to finance future initiatives that mitigate insurable risks and potential insurance claims against the Council and help limit increases in insurance premiums.
Severance Reserve	Used to finance redundancy costs in excess of the amount included in the revenue budget.
Splash Parks Reserve	A new reserve to finance the replacement of remaining paddling pools with new modern splash park facilities.
Standards Committee Contingency	Established to finance possible future liabilities arising from the work of the Council's Standards Committee.

Street Lighting Reserve	To meet any future increased energy costs resulting from the all-night street light initiative.
The Harlow and Gilston Garden Town Funding Reserve	Established to contribute towards the Gilston Garden Town project and other developments in and around Harlow to ensure maximum benefits in respect 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.

Housing Revenue Account Reserves:

Perpetuity Reserves	Amounts set aside to meet long-term contractual obligations under a range of covenants.
Housing Insurance Property Reserve	To meet any costs arising from any unscheduled repairs and maintenance in respect of asbestos.
HRA OJEU Contract 2015	A reserve, fully used at 31 March 2019, established to meet ancillary costs relating to a change in repairs and maintenance contractor.
Insurance Claims	To meet any future costs resulting from the insolvency of the Council's previous insurer Municipal Mutual Insurance Ltd.
Insurance Fund	A self-insurance reserve to meet excess charges in respect of policies for theft, motor insurance, employer's liability, fire and dwellings and other minor items.
Risk Management Reserve	Established in order to finance future initiatives that mitigate insurable risks and potential insurance claims against the Council and help limit increases in insurance premiums.
<u>Earmarked Grants Reserves</u>	Specific revenue grants received are accounted for in the year of receipt. Any unused grant is held in these reserves until specified expenditure is incurred.

22. UNUSABLE RESERVES

	Balance as at 31 March 2019 £000s	Balance as at 31 March 2018 £000s
Revaluation Balances		
Revaluation Reserve	449,244	431,030
Financial Instruments Revaluation Reserve	(39)	-
Adjustment Accounts		
Available for Sale Financial Instruments Reserve	-	(47)
Capital Adjustment Account	189,718	203,093
Financial Instruments Adjustment Account	(2)	(2)
Deferred Capital Receipts	728	730
Pensions Reserve	(77,626)	(91,696)
Collection Fund Adjustment Account	(342)	2,229
Accumulated Absences Account	(55)	(61)
Total Unusable Reserves	561,626	545,276

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	2018/19		2017/18	
	£000s	£000s	£000s	£000s
Balance at 1 April		431,030		376,440
Upward revaluation of assets	30,251		78,483	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,270)		(3,782)	
		26,981		74,701
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(937)		(1,036)	
Difference between fair value depreciation and historical cost depreciation	(7,280)		(7,913)	
Accumulated gains on assets sold or	(550)		(11,162)	
Amount written off to the Capital Adjustment Account		(8,767)		(20,111)
Balance as at 31 March		449,244		431,030

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is increased when investments with accumulated gains are revalued upwards.

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.

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.

Capital Adjustment Account	2018/19		2017/18	
	£000s	£000s	£000s	£000s
Balance at 1 April		203,093		227,187
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	(29,881)		(29,618)	
- Revaluation losses on Property, Plant and Equipment	(3,794)		(9,899)	
- Amortisation of intangible assets	(316)		(332)	
- Revenue expenditure funded from capital under statute	(668)		(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	(8,018)		(21,696)	
		(42,677)		(62,102)
Adjusting amounts written out of the Revaluation Reserve		8,767		20,111
Net written out amount of the cost of non-current assets consumed in the year		(33,910)		(41,991)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	4,243		1,247	
- Use of the Major Repairs Reserve to finance new capital expenditure	10,362		11,801	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	875		663	
- Application of grants to capital financing from the Capital Grants Unapplied Account	576		1,733	
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	250		218	
- Capital expenditure charged against the General Fund and HRA balances	4,218		2,119	
		20,524		17,780
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		10		117
Balance as at 31 March		189,718		203,093

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.

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	2018/19 £000s	2017/18 £000s
Balance at 1 April	729	743
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1)	(14)
Balance as at 31 March	728	729

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	2018/19 £000s	2017/18 £000s
Balance at 1 April	(91,695)	(103,579)
Actuarial gains/(losses) on pensions assets and liabilities	16,190	13,485
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	(8,019)	(8,186)
Employer's pensions contributions and direct payments to pensioners payable in the year	5,898	6,585
Balance as at 31 March	(77,626)	(91,695)

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	2018/19 £000s	2017/18 £000s
Balance at 1 April	2,229	336
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,571)	1,893
Balance as at 31 March	(342)	2,229

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.

	2018/19		2017/18	
	£000s	£000s	£000s	£000s
Balance at 1 April		(61)		(48)
Settlement or cancellation of accrual made at the end of the preceding year	61		48	
Amounts accrued at the end of the current year	(55)		(61)	
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		6		(13)
Balance as at 31 March		(55)		(61)

23. OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2018/19 £000s	2017/18 £000s
Interest Received	577	158
Interest Paid	(7,033)	(7,010)
Dividends Received	100	90
Net Cash Flows from Operating Activities	(6,356)	(6,762)

The Net Surplus/ (Deficit) on the Provision of Services has been adjusted for the following non-cash movements:

	2018/19 £000s	2017/18 £000s
Depreciation	11,301	6,762
Impairment and Downward valuations	22,375	48,168
Amortisation	315	332
Increase/ Decrease in Creditors	4,196	(1,823)
Increase/ Decrease in Debtors	(1,836)	(2,567)
Increase/ Decrease in Inventories	(7)	1
Movement in Pension Liability	2,121	1,602
Contribution to/ (from) Provisions	6	(6)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	8,018	8,015
Total	46,489	60,484

The Net Surplus/ (Deficit) on the Provision of Services has been adjusted for the following items which are investing and financing activities:

	2018/19 £000s	2017/18 £000s
Capital Grants credited to surplus or deficit on the provision of services	(875)	(662)
Net adjustment from the sale of short and long term investments	1,800	2,727
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(6,146)	(8,642)
Total	(5,221)	(6,577)

24. INVESTING ACTIVITIES

	2018/19 £000s	2017/18 £000s
Purchase of property, plant and equipment, investment property and intangible assets	(26,895)	(19,211)
Other payments for investing activities	(2,722)	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,842	8,776
Other receipts from investing activities	948	0
Net Cash Flows from Investing Activities	(19,826)	(10,435)

25. FINANCING ACTIVITIES

	2018/19 £000s	2017/18 £000s
Other receipts from financing activities	-	1
Other payments for financing activities	(1,318)	(1,503)
Net Cash Flows from Financing Activities	(1,318)	(1,502)

26. ACQUIRED AND DISCONTINUED OPERATIONS

The Council has neither acquired nor discontinued any material operations during the financial year 2018/19.

27. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 requires the Council to disclose information relating to the impact of an accounting change that will be required by a new or amended standard that has been issued, but has not yet been adopted.

International Financial Reporting Standards (IFRS) introduced or amended in the Code for 2019/20 are applicable from the 1 April 2019. Where applicable, the following disclosure provides information relating to the impact of accounting changes that will be required by the standards issued. The impact that initial application of the IFRS', as adopted by the Code, will have is expected to be immaterial and have minimum effect on the Council's financial statements.

For the 2018/19 final accounts, the following relevant changes from the 2019/20 accounting standards that need to be reported relate to:

Amendments to IFRS 9 Financial Instruments: Prepayments Features with Negative Compensation.

Due for adoption with effect from 1 April 2019, this is where the contractual terms permit the borrower to prepay an instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest.

The Council does not hold such Investments and does not intend to enter into any such agreements.

Annual improvements to IFRS standards 2014-2016 Cycle - IFRS 12 Disclosure of Interests in Other Entities.

Clarification has been introduced to ensure that disclosure of the risks associated with other entities also applies to Assets Held for Sale and Discontinued Operations.

With no such material movements relating to other entities, 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:

	2018/19 £000s	2017/18 £000s
Allowances	179	176
Expenses	9	8
Total	188	184

29. OFFICERS' REMUNERATION

The 2017/18 figures cover a period of senior management restructure. The restructure resulted in both the Chief Executive and Chief Operating Officer posts being deleted and replaced with one post of Managing Director. The full year cost of the Managing Director is shown in the 2018/19 figures. The Head of Finance post was amended to Head of Finance and Deputy to the Managing Director in 2018/19. The 2018/19 figures for the Head of Governance are for a part year only, the post being filled with effect from 2nd January 2019.

Senior Employees					
Post Title	Salary (Including fees & Allowances)	Compensation for Loss of Office	Total Remuneration excluding pension contributions 2018/19	Pension contributions	Total Remuneration including pension contributions 2018/19
2018/19	£	£	£	£	£
Managing Director	130,900	-	130,900	-	130,900
Project Director	93,641	-	93,641	15,264	108,905
Head of Finance and Deputy to the Managing Director	100,465	-	100,465	16,444	116,909
Head Of Housing	91,965	-	91,965	14,990	106,955
Head of Place	96,866	-	96,866	13,920	110,786
Head of Community and Wellbeing	89,439	-	89,439	14,579	104,018
Head of Governance	20,982	-	20,982	3,420	24,402
	624,258	-	624,258	78,617	702,875

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	-	56,878	-	56,878
Chief Operating Officer	37,627	-	37,627	106,654	144,281
Chief Executive	74,116	82,395	156,511	-	156,511
Project Director (Enterprise Zone)	91,805	-	91,805	14,964	106,769
Head of Finance	88,612	-	88,612	14,444	103,056
Head Of Housing	85,112	-	85,112	13,873	98,985
Head of Place	85,112	-	85,112	13,873	98,985
Head of Community and Wellbeing	81,520	-	81,520	13,288	94,808
Head of Governance	47,045	-	47,045	-	47,045
	647,827	82,395	730,222	177,096	907,318

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.

Number of Employees		
Remuneration bands	2018/19 Total	2017/18 Total
£50,000 – £54,999	9	12
£55,000 – £59,999	11	5
£60,000 – £64,999	1	-
£65,000 – £69,999	-	-
£70,000 – £74,999	-	-
£75,000 – £79,999	-	-
£80,000 – £84,999	-	1
£85,000 – £89,999	1	3
£90,000 – £94,999	2	1
£95,000 – £99,999	1	-
£100,000 – £104,999	1	-
£105,000 – £109,999	-	-
£110,000 – £114,999	-	-
£115,000 – £119,999	-	-
£120,000 – £124,999	-	-
£125,000 – £129,999	-	-
£130,000 – £134,999	1	-
£135,000 – £139,999	-	-
£140,000 – £144,999	-	-
£145,000 – £149,999	-	-
£150,000 – £154,999	-	-
£155,000 – £159,999	-	1

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	
	2018-19 No	2017-18 No	2018-19 No	2017-18 No	2018-19 No	2017-18 No	2018-19 £	2017-18 £
£0 - £40,000	-	-	2	3	2	3	14,547	40,108
£40,001-£80,000	-	-	-	-	-	-	-	-
£80,001- £150,000	-	-	-	2	-	2	-	182,915
TOTAL	-	-	2	5	2	5	14,547	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 two employees in 2018/19, incurring liabilities of £14,457 (£223,023 in 2017/18) – 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 2018/19 in respect of the audit of the Statement of Accounts, certification of grant claims and statutory inspections and other services provided by the Council's external auditors, BDO LLP (Ernst & Young LLP in 2018/19).

	2018/19 £000s	2017/18 £000s
Fees payable for external audit services carried out by the appointed auditor for the year.	73	78
Fees payable for external audit services carried out by the appointed auditor for previous years	34	(12)
Fees payable to external audit in relation to current year grant claims.	17	19
Total	124	85

32. GRANT INCOME

The Council credited the following grants, contributions and donations (see the table overleaf) to the Comprehensive Income and Expenditure Statement in 2018/19:

	2018/19 £000s	2017/18 £000s
Grants Credited to Taxation and Non-specific Grant Income		
Revenue Support Grant	178	603
Transitions Grant	-	25
Section 31 Grants	949	667
New Homes Bonus Grant	824	896
ECC Council Tax Sharing Agreement	-	252
Capital Grants	137	277
Total	2,088	2,720
Grants Credited to Services		
DWP:		
Rent Allowances	11,626	13,673
Rent Rebates	15,906	18,611
Housing Benefit Administration	362	399
Verification of Earnings and Pensions	49	-
New Burdens Housing Benefit	34	-
New Burdens	76	-
LA Data Share	-	20
Universal Credit New Burdens Funding Payment	46	58
Business Rate Relief (New Burdens)	-	28
DWP RBI	-	34
Universal Support	13	22
Other DWP grants	7	31
MHCLG:		
Disabled Facilities Grants	353	401
Self Build and Custom Housing Building Register	30	30
New Burdens Homelessness Reduction	42	46
Flexible Homelessness Support	352	226
Recycling	-	35
Food waste collection	149	138
New Burdens	20	-
Rough Sleepers Fund	140	-
Homelessness Prevention	42	-
Local Authority Parks Improvement Funding	14	-
Controlling Migration Fund	51	-
National Community Clean Up	15	-
Local Authority EU Exit Preparation	17	-
Localising Council Tax administration	128	135
Lister House	294	-
Epping Forest	20	-
Other MHCLG grants	31	37
Homes England:		
Growth Area Funding / Programme of Development	3	162
Essex County Council:		
Enterprise Zone	(14)	187
Sam's Place	72	73
Inter Authority Agreement	659	644
ECC Hardship Fund	10	10
Tipping Away	59	59
Time Credits	63	-
Active Network Commissioning	16	-
Fraud & Error Reduction Incentive Scheme	68	76
Collection Investment Income	59	55
Other:		
Nicholls Field Pavilion	-	54
Town Park HLF	104	43
Other smaller grants	13	50
Total	30,929	35,337

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:

	2018/19 £000s	2017/18 £000s
Grants Receipts in Advance (Capital Grants)		
Programme of Development - external partners	169	96
Total	169	96

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.

Central Government has significant influence 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.

Members have direct control over the Council's financial and operating policies. The total of Members' allowances is disclosed in Note 28 on page 76. In addition, Members, chief officers and heads of service disclose, by way of declaration, anything which could result in them being a related party of the Council and any transactions with the Council. Declarations made by Members in 2018/19 are summarised on the Council's website at www.harlow.gov.uk/councillor-declarations.

Material transactions which took place with related parties during 2018/19 are as follows.

Related Party Transactions 2018/19	Income	Expenditure	Debtors Outstanding as at 31 Mar 2019	Creditors Outstanding as at 31 Mar 2019
	£000s	£000s	£000s	£000s
Essex County Council	(2,336)	218	610	(1)
Essex Police and Crime Commissioner	(21)		(21)	
Harlow College	(26)	1	1	
Harlow Occupational Health		22		(1)
Harlow Sports Trust	(73)	10	(15)	
Kier Harlow	(290)	291	15	
Streets 2 Homes	(3)	119	1	
Veolia		3,509		(599)
HTS (Property & Environment) Ltd	(924)	23,661	702	(1,190)
	(3,673)	27,831	1,293	(1,791)

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.

	2018/19 £000s	2017/18 £000s
Opening Capital Financing Requirement	233,658	230,009
Capital Investment		
Property Plant and Equipment	26,765	20,684
Heritage Assets	0	0
Investment Properties	20	50
Intangible Assets	173	143
Revenue Expenditure funded from Capital under Statute	666	557
Long Term Debtors	2	8
Total Capital Investment	27,626	21,442
Sources of Finance		
Capital Receipts	(4,243)	(1,260)
Major Repairs Reserve	(10,362)	(11,801)
Government Grants and Other Contributions	(1,482)	(2,395)
Direct Revenue Contributions	(4,219)	(2,119)
MRP/ Loans Fund Principal	(250)	(218)
Total Sources of Finance	(20,556)	(17,793)
Closing Capital Financing Requirement	240,728	233,658
Explanation of Movements in Year		
Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	7,070	3,649
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	7,070	3,649

35. LEASES

Council as Lessee

OPERATING LEASES

The Council has operating leases for photocopiers, vending machines and other equipment. The future minimum lease payments under the non-cancellable leases, are:

	31 March 2019 £000s	31 March 2018 £000s
Not later than one year	29	42
Later than one year and not later than five years	29	39
	58	81

The Council also has property leases, including property which is sub-let, with future minimum lease payments of:

	31 March 2019 £000s	31 March 2018 £000s
Not later than one year	9	50
Later than one year and not later than five years	1	9
Later than five years	12	12
	21	71

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to all the above leases was:

	31 March 2019 £000s	31/03/2018 £000s
Minimum lease payments	130	236
Contingent rents	12	12
Sublease payments receivable	(64)	(103)
	77	145

The total of future minimum sublease payments expected to be received under non-cancellable subleases as at 31 March 2019 was £2,401,892 (31 March 2018 £2,493,833).

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 72 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 2019 £000s	31 March 2018 £000s
Finance lease debtor (net present value of minimum lease payments):		
- current	1	1
- non-current	304	304
Gross investment in the lease	305	305

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 2019 £000s	31 March 2018 £000s	31 March 2019 £000s	31 March 2018 £000s
Not later than one year	1	1	1	1
Later than one year and not later than five years	3	2	3	2
Later than five years	301	302	301	302
	305	305	305	305

OPERATING LEASES

The Council leases out property and equipment under operational leases.

The future minimum lease payments receivable are:

	31 March 2019 £000s	31 March 2018 £000s
Not later than one year	862	917
Later than one year and not later than five years	2,816	2,932
Later than five years	3,985	4,466
	7,663	8,315

In 2018/19 £272,300 contingent rents were receivable by the Council (2017/18 £266,965).

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 2018/19.

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.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Essex County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.
- The Essex County Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Essex County Council. Policy is determined in accordance with the Pensions Fund Regulations.
- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by the statute as described in the accountancy policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no 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 have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	2018/19 £000s	2017/18 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• Current Service Cost and settlement	5,670	5,261
• Past Service Cost including Curtailments	14	149
• Administration expenses	84	76
• Interest Cost	2,251	2,700
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	8,019	8,186
Return on Plan Assets (excluding amount included in the net interest expense)	11,585	8,760
Changes in financial assumptions	(11,592)	4,725
Actuarial gains/(losses) arising in the change of demographic assumptions	16,197	-
Total Post-employment Benefit gains/(losses) Charged to the Comprehensive Income and Expenditure Statement	16,190	13,485
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	8,019	(8,186)
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to the scheme	5,898	6,585

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement in the "actuarial gains or losses" line as at 31 March 2019 was a loss of £23.881 million (as at 31 March 2018 it was a loss of £40.071 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.

	2018/19 £000s	2017/18 £000s
Present value of scheme benefit obligation	(290,171)	(287,692)
Fair value of plan assets	221,115	205,328
Net Liability	(69,056)	(82,364)
Present value of discretionary obligation	(8,570)	(9,331)
Net liability from defined benefit obligation	(77,626)	(91,695)

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

	2018/19 £000s	2017/18 £000s
Opening balance at 1 April	205,328	192,560
Interest on assets	5,224	5,184
Return on assets less interest	11,585	8,760
Administration expenses	(84)	(76)
Contributions by employer including unfunded	5,898	6,585
Contributions by Scheme participants and other employers	2,233	1,968
Estimated benefits paid plus unfunded net of transfers in	(9,069)	(9,653)
Closing balance at 31 March	221,115	205,328

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

	2018/19 £000s	2017/18 £000s
Opening balance at 1 April	297,023	296,139
Current service cost	5,670	5,261
Interest cost	7,475	7,884
Change in financial assumptions	11,592	(4,725)
Change in demographic assumptions	(16,197)	-
Estimated benefits paid net of transfers in	(8,372)	(8,938)
Past Service Cost including curtailments	14	149
Contributions by Scheme participants and other employers	2,233	1,968
Unfunded pension payments	(697)	(715)
Closing balance at 31 March	298,741	297,023

Local Government Pension Scheme Assets Comprised

Asset Breakdown	2018/19				2017/18			
	Quoted £000s	Unquoted £000s	Quoted £000s	Unquoted £000s	Quoted £000s	Unquoted £000s	Quoted £000s	Unquoted £000s
Index Linked Government Securities								
UK	5.3%	11,719	-	-	6.7%	13,757	-	-
Corporate Bonds								
UK	5.8%	12,825	-	-	3.7%	7,597	-	-
Equities								
UK	4.5%	9,950	-	-	-	0	-	-
Overseas	53.2%	117,633	-	-	60.7%	124,634	-	-
Property								
All	3.3%	7,297	5.6%	12,382	3.4%	6,981	5.9%	12,114
Others								
Private Equity	-	-	4.6%	10,171	-	-	4.6%	9,445
Infrastructure	-	-	5.0%	11,056	-	-	4.6%	9,445
Derivatives	-	-	-	0	-0.5%	-1,026.6	-	0
Timber	-	-	3.0%	6,633	-	-	1.7%	3,491
Private Debt	-	-	1.7%	3,759	-	-	1.6%	3,285
Other Managed Funds	-	-	5.3%	11,719	-	-	4.1%	8,418
Cash/Temporary Investments	-	-	2.6%	5,749	-	-	3.6%	7,392
Net Current Assets								
Debtors	-	-	0.1%	221	-	-	-0.1%	-205
Creditors	-	-	-	0	-	-	-	0
Total	72.1%	159,424	27.9%	61,691	74.0%	151,943	26.0%	53,385

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

The principal assumptions used by the actuary have been:

	2018/19	2017/18
Life expectancy from age 65 (years):		
Retiring today:		
- Men	21.3	22.2
- Women	23.6	24.7
Retiring in 20 years:		
- Men	22.9	24.4
- Women	25.4	27.0
Rates of Inflation:		
RPI	3.45%	3.30%
CPI	2.45%	2.30%
Rate of increase in salaries	3.95%	3.80%
Rate of increase in pensions	2.45%	2.30%
Rate for discounting scheme liabilities	2.40%	2.60%
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%

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	293,947	298,741	303,619
Projected Service Cost	8,265	8,459	8,659
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	298,995	298,741	298,489
Projected Service Cost	8,459	8,459	8,459
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	303,357	298,741	294,197
Projected Service Cost	8,658	8,459	8,265
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	310,085	298,741	287,816
Projected Service Cost	8,741	8,459	8,186

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Essex County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a number of years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2020.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £4.665 million.

38. CONTINGENT LIABILITIES

At 31 March 2019, the Council has the following contingent liabilities.

Insured Liabilities

The Council insures various risks with Zurich Municipal and operates a self-insurance fund to cover small claims and that part of larger claims which are subject to an excess. The fund balance as at 31 March 2019 was £3,542,738 (£3,315,155 at 31 March 2018). The timing and the value of any unreported and unsettled future liabilities cannot be determined with any certainty.

The Council insured with Municipal Mutual Insurance Ltd. (MMI) between 1978 and 1992. The company ceased business in 1992 and the Council entered into a Provisional Scheme of Arrangement in 1993. Two levy notices have been issued by the scheme administrator to claw-back a proportion of historical claim settlements. The Council had earmarked reserves of £1,245,200 at 31 March 2019 to finance these and potential future liabilities associated with MMI the value and timing of which remain uncertain.

Guarantees

In 1987 and 1992 the Council agreed jointly with a number of other local authorities to guarantee loans of £83.6 million to Home Housing Association raised to provide housing in Harlow and surrounding authorities. The guarantee is for 50 years 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.

The Council has guaranteed any possible future unfunded pension fund liabilities of the Council's wholly owned company Harlow Trading Services (Property & Environment) Ltd. as a result of its employees being members of the Local Government Pension Scheme. Such liabilities are considered most unlikely and it is currently not possible to estimate any potential cost to the Council.

Other

In December 2018, the Court of Appeal ruled against the Government, holding that changes made to pension schemes discriminated against a group of firefighters and a group of judges on the grounds of age (the “McCloud judgement”). Legal proceedings are ongoing and it is not currently possible to determine what impact, if any, the judgement will have on the Local Government Pension Scheme, members of the scheme and the Council.

In December 2017 proceedings in respect of tree root damage were issued against the owners of land adjoining a Council housing property. The case is complex and investigations are ongoing to determine whether the Council should take further action. If so the Council would be liable for costs in the region of £250,000. Should the Council proceed it is possible that the liability would become a contingent asset.

The Council anticipates a challenge to a decision it has taken in respect of rateable occupation in business premises in the town. As a result and subject to the outcome of the challenge there could be a negative impact on the business rates collectable. The amount of any liability cannot be quantified at this stage.

39. CONTINGENT ASSETS

The Council had a contingent asset at 31 March 2019 in respect of the Ram Gorse Park housing development, where the Council is entitled to a percentage of sale proceeds (overage) in the future. The amount is dependent on housing market conditions at the time of sale and cannot be estimated with accuracy at this stage.

40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Overall procedures for managing risk

The Council complies with CIPFA’s Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with 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.

The TMSS includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government 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 seek to achieve a suitable balance between risk and return on cost.

The risks covered are:

- Credit risk - the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity risk - the possibility that the Council might not have the cash available to make contractual payments on time.
- Market risk - the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

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 Treasury Management Strategy Statement (TMSS), 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 and Poor's credit ratings services. The Council uses the creditworthiness service of Arlingclose Limited, its treasury management advisors, to analyse the credit ratings. The TMSS also sets 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. The TMSS, which was approved by the Council on 1 February 2018, can be found on the Council's website.

In addition to the above, the Council uses a range of additional indicators and information sources to minimise risk, 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 (AAA-rated) countries outside the UK.

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 the 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 2019 that this was likely to arise.

Customers for goods and services are allocated individual credit limits assessed taking into account their financial position, past experience and other parameters set by the Council and its respective departments.

The Council does not generally allow credit for its customers. As at 31 March 2019, £10.660 million of total short-term debt was overdue for payment, as shown below:

	31 March 2019 £000s	31 March 2018 £000s
Less than three months	2,140	1,472
Three to five months	414	720
More than 5 months	8,106	8,877
Total	10,660	11,070

The Council has analysed the effect of applying expected credit loss methodology to its financial assets to determine impairment loss allowances in accordance with IFRS 9 (adopted with effect from 1 April 2018) and has determined that there would be no material difference to the financial statements or carrying amount of the assets compared with calculating a provision for bad debts under IAS19 (applicable in 31 March 2018).

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements occur the Council has ready access to

borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. Instead the risk is that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

Refinancing and Maturity Risk

The maturity analysis of financial liabilities (PWLB borrowing) is as follows:

	31 March 2019 £000s	31 March 2018 £000s
5 to 10 years	41,767	41,767
10 to 20 years	125,303	125,303
20 to 30 years	44,767	44,767
Total	211,837	211,837

All trade payables are due to be paid in less than one year.

The risk that the Council will need to refinance, in the longer term, a significant proportion of its borrowing at a time of unfavourably high interest rates is addressed by close monitoring (by the Council and its treasury management advisors) of the status of loans outstanding, an analysis of current and forecast economic and market conditions and detailed consideration of the possibility of the premature repayment or rescheduling of the debt.

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 measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. 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 measured at fair value 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 2019, £211.837 million of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates and £31.7 million (net investments) to variable rates.

If, at 31 March 2019, 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	(168)
Decrease in fair value of loans and receivables *	4
Decrease in fair value of fixed rate borrowings/ liabilities *	273

* 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 does not invest in equity shares or marketable bonds and is consequently not exposed to losses arising from movements in the prices of shares or value of bonds.

Foreign Exchange Risk - The Council does not hold any financial assets or liabilities denominated in foreign currencies as part of its continuing operations and does not receive material amounts in foreign currencies. As such, there is no material exposure to loss arising from movements in exchange rates.

41. OTHER LONG-TERM LIABILITIES

Pension Scheme Liabilities	2018/19 £000s	2017/18 £000s
As at 1 April	77,626	91,695
As at 31 March	77,626	91,695

42. LONG-TERM DEBTORS

	2018/19 £000s	2017/18 £000s
Other Long Term Loans	3,503	-
Service Charge Loans	66	34
Service Charge Debtor	288	1,106
Renovation Grants	267	274
Housing Act Advances	-	1
Mortgages	-	-
Soft Loans	12	2
Total	4,136	1,417

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SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

Housing Revenue Account (HRA) Income and Expenditure Statement

	Note	2018/19 £000s	2017/18 £000s
Expenditure			
Repairs and Maintenance		(10,085)	(9,673)
Supervision and Management		(10,626)	(16,638)
Rents, Rates, Taxes and Other Charges		(50)	(110)
Depreciation and Impairments of Non-Current Assets	H7 & H10	(30,538)	(37,191)
Amortisation of Intangible Assets		(76)	(98)
Debt Management Costs		(8)	(17)
Movement in the Allowance for Bad Debts (not specified by the Code)		(205)	(85)
Sums directed by the Secretary of State that are expenditure in accordance with the Code		(5)	(5)
Total Expenditure		(51,593)	(63,817)
Income			
Dwelling Rents		42,906	43,884
Non-Dwelling Rents		1,028	1,050
Charges for Services and Facilities		3,906	3,244
Contributions towards Expenditure		1,560	822
Total Income		49,400	49,000
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(2,193)	(14,817)
HRA Services' share of Corporate and Democratic Core		(846)	(847)
Net Cost for HRA Services		(3,039)	(15,664)
HRA share of the operating income and expenditure			
Gain or (loss) on sale of HRA non-current assets		(7,537)	(11,870)
Interest payable and similar charges		(6,696)	(6,778)
Interest and investment income		168	139
Capital grants and contributions receivable		131	42
Surplus or (deficit) for the year on HRA services		(16,973)	(34,131)

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).

NOTES TO THE HOUSING REVENUE ACCOUNT

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	2018/19 £000s	2017/18 £000s
Balance on the HRA at 1 April		14,104	12,975
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(16,973)	(34,131)
Adjustments between accounting basis and funding basis under statute	H1	16,597	35,331
Net increase or (decrease) before transfers to or from reserves		(376)	1,200
Transfers (to) or from reserves	H2	3	(71)
Increase or (decrease) in year on the HRA		(373)	1,129
Balance on the HRA as at 31 March		13,731	14,104

NOTES TO THE HOUSING REVENUE ACCOUNT

H1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

	2018/19 £000s	2017/18 £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	76	98
Impairment of Fixed Assets	20,174	25,389
(Gain)/ Loss on sale of HRA Fixed Assets	1,720	11,870
Financial Instruments	(7)	(10)
Employer's contribution payable to the ECC Pension Fund and retirement benefits payable direct to pensioners	(1,283)	(475)
Deferred Grants written down	(130)	(42)
Accumulated Absences	(3)	4
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	(3,950)	(1,503)
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year	16,597	35,331

H2. TRANSFERS TO / (FROM) RESERVES

	2018/19 £000s	2017/18 £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	324	439
Interest on Earmarked Reserves	29	18
Contribution from Insurance Fund	(155)	(107)
Contribution from Perpetuity Earmarked Reserves	(462)	(540)
Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year	(3)	71

NOTES TO THE HOUSING REVENUE ACCOUNT

H3. ANALYSIS OF THE HOUSING STOCK

	2018/19	2017/18
Analysis by Type of Dwelling		
Houses and Bungalows	5,613	5,692
Flats and Maisonettes	3,557	3,578
Other	10	9
Total Dwellings	9,180	9,279
Analysis by Number of Bedrooms		
Bedsitters	398	402
1 bedroom	2,043	2,049
2 bedrooms	3,550	3,570
3 bedrooms	2,831	2,900
4 bedrooms	323	324
5 bedrooms	25	25
Hostels	11	9
Total Dwellings	9,180	9,279
The change in stock can be summarised as follows:		
Stock at 1 April	9,279	9,425
Deduct Sales, Demolitions, etc	(99)	(146)
Stock at 31 March	9,180	9,279

H4. BALANCE SHEET VALUES FOR THE HOUSING STOCK

	as at 31 March 2019 £000s	as at 1 April 2018 £000s	as at 31 March 2018 £000s
Council Dwellings:			
Land	171,421	170,521	181,488
Dwellings	549,511	546,646	543,907
	720,932	717,167	725,395
Other land and buildings	17,917	18,068	16,513
Infrastructure and community assets	326	335	335
Assets under construction	50	-	-
Surplus assets not held for sale	337	4,520	4,481
Investment properties	433	433	433
Assets held for sale	1,554	1,534	1,528
Total HRA Balance Sheet Values	741,549	742,057	748,685

NOTES TO THE HOUSING REVENUE ACCOUNT

H5. VACANT POSSESSION

The vacant possession values of the Council's Housing stock as at 1 April 2018 amounted to £1,901,427,521. Of this figure £193,420 related to surplus stock and £673,100 for temporary accommodation both valued at Existing Use Value. The remaining sum of £1,900,561,001 is attributable to council dwellings, which is subject to a social housing factor of 38% (a reduction of 62%) giving a specific valuation of £722,213,180. The net valuation of housing stock is therefore £723,079,700.

	as at 1 April 2019 £000s	as at 1 April 2018 £000s
Vacant possession value of dwellings	1,901,428	1,870,795

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 £353,000 in 2018/19. 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	2018/19 £000s	2017/18 £000s
Dwellings	20,091	25,074
Other Property	161	413
Total	20,252	25,487
Operational Assets	20,252	25,487
Total	20,252	25,487

NOTES TO THE HOUSING REVENUE ACCOUNT

H8. CAPITAL EXPENDITURE AND FINANCING

	2018/19 £000s	2017/18 £000s
HRA Capital Expenditure:		
Dwelling Stock	16,899	13,147
Non-Dwelling works	85	162
Assets Under Construction	50	-
Investment in Information Technology	171	37
	17,205	13,346
Financed by		
Grant Contributions	131	42
Usable Capital Receipts	2,762	-
Revenue Contributions	3,950	1,503
Major Repairs Reserve	10,362	11,801
	17,205	13,346

H9. CAPITAL RECEIPTS

	2018/19 £000s	2017/18 £000s
Sale of Council Houses - Direct	5,439	7,424
Other (including shared ownership)	379	472
	5,818	7,896

The number of sales of Council houses fell in 2018/19 with forty four tenants purchasing 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 so retain the full receipt.

H10. CHARGES FOR DEPRECIATION

Depreciation	2018/19 £000s	2017/18 £000s
Council Dwellings	10,123	11,530
Other Land and Buildings	152	162
Infrastructure and Community Assets	9	9
Surplus assets not held for sale	3	3
Total	10,286	11,704
Operational Assets	10,123	11,530
Non-Operational Assets	163	174
Total	10,286	11,704

NOTES TO THE HOUSING REVENUE ACCOUNT

H11. MOVEMENT ON THE MAJOR REPAIRS RESERVE

Major Repairs Reserve	2018/19 £000s	2017/18 £000s
Balance as at 1 April		
Transfers in - depreciation	10,362	11,801
Transfers out to the HRA	-	-
Capital Spending on Housing Stock met by the Reserve	(10,362)	(11,801)
Balance as at 31 March	-	-

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

With effect from 2017/18 the accounting statements, upon cessation of the organisation, include Kier Harlow pension figures. Also incorporated within the single entity accounts are the HTS (Property and Environment) Ltd IAS19 reported figures.

The actual payments for pensions made to the pension fund from the HRA of £415,000 (2017/18: £1,490,000) plus the continuing pension payments in relation to underfunding and early retirements awarded to HRA employees of £1,709,000 (2017/18: £1,758,000) are removed from the HRA and replaced by the current service cost applying the principles of IAS 19 making a total amount removed of £2,124,000 (2017/18: £3,248,000). The corresponding entry is to the Pensions Fund Reserve

The current service cost included in the HRA is the IAS 19 reported sum of £1,321,000 (2017/18: £14,521,000) which represents the pension costs of current staff.

H13. RENT ARREARS

Outstanding rent arrears at 31 March 2019 total £3,265,000 plus £84,000 overpaid housing benefit (£3,151,000 and £95,000 at March 2018). An allowance for the impairment of debts has been made as at 31 March 2019 totalling £2,819,000 (£2,714,000 at March 2018).

The arrears exclude prepayments of £840,000 and may be analysed as follows:

Rent Arrears	As at 31 March 2019 £000s	As at 31 March 2018 £000s
Due from Current Tenants	1,366	1,331
Due from Former Tenants	1,899	1,820
Arrears (gross)	3,265	3,151
Prepayments	(840)	(786)
Net Arrears	2,425	2,365

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

Collection Fund Statement	2018/19			2017/18
	Business Rates £000s	Council Tax £000s	TOTAL £000s	TOTAL £000s
Income				
Council Tax amount due	-	46,789	46,789	44,372
Business Rates amount due	47,029	-	47,029	47,798
Contribution to previous year's deficit				
- Harlow District Council	-	-	-	339
- Ministry for Housing, Communities and Local Government (MHCLG)	-	-	-	1,057
Reduction in impairment allowance	304	176	480	-
Reduction in provision for appeals	-	-	-	248
Total Income	47,333	46,965	94,298	93,814
Expenditure				
Distribution of previous year's surplus				
- Harlow District Council	102	685	787	-
- Essex County Council	23	2,927	2,950	1,955
- Essex Police Authority	-	395	395	289
- Essex Fire Authority	2	174	176	107
- MHCLG	127	-	127	-
	254	4,181	4,435	2,351
Precepts, Demands and Shares				
- Harlow District Council	18,769	6,968	25,737	25,026
- Essex County Council	4,223	31,265	35,488	33,227
- Essex Police Authority	-	4,325	4,325	3,931
- Essex Fire Authority	469	1,801	2,270	2,183
- MHCLG	23,461	-	23,461	22,762
	46,922	44,359	91,281	87,129
Disregarded Amounts				
Enterprise Zone	875	-	875	1,773
Charges to the Collection Fund				
Increase in impairment allowance	-	-	-	1,096
Increase in provision for appeals	144	-	144	-
Interest on refunds	34	-	34	-
Cost of Collection	117	-	117	118
Write offs	(1)	-	(2)	-
Transitional protection payments	637	-	637	1,202
	931	-	931	2,416
Total Expenditure	48,982	48,540	97,522	93,669
(Surplus)/Deficit for year	1,649	1,575	3,224	(145)
Balance brought forward (surplus)/deficit	212	(3,883)	(3,671)	(3,476)
Balance carried forward 31 March 2019 (surplus)/ deficit	1,861	(2,308)	(447)	(3,573)

COLLECTION FUND

CF1. Business Rates

National Non-Domestic Rates (also known as NNDR or Business Rates) are based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate (a “multiplier”) set nationally by Central Government. The national multipliers for 2018/19 were 48.0p for qualifying small businesses and 49.3p for all other businesses (46.6p and 47.9p respectively in 2017/18).

The NNDR income due (after exemptions and reliefs) of £47.029 million for 2018/19 (£47.798 million for 2017/18) was based on an average rateable value for the Council’s area of £110.372 million for the year (£109.830 million in 2017/18).

CF2. Council Tax

Council Tax income derives from charges raised according to the value of residential properties (estimated as at 1 April 1991), which have been classified into eight valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council, Essex Police and Crime Commissioner, Essex Fire Authority and the Council for the forthcoming year and dividing this by the Council Tax base. The Council Tax base, which was 25,590.01 for 2018/19 (25,032.14 for 2017/18), is the aggregate of an adjusted total number of properties in each valuation band (reduced by allowances for discounts and an estimated collection rate) converted by a proportion to the number of Band D equivalent chargeable dwellings.

The Council Tax base was calculated as follows:

Valuation Band	Number of properties	Total equivalent dwellings after discounts	Proportion	Band D equivalents
A - Disabled	2	0.18	5/9	0.10
A	2,523	1,474.16	6/9	982.77
B	7,830	5,060.97	7/9	3,936.31
C	18,637	14,750.35	8/9	13,111.42
D	4,252	3,645.71	9/9	3,645.71
E	2,345	2,079.17	11/9	2,541.21
F	945	859.87	13/9	1,242.04
G	411	378.52	15/9	630.87
H	12	10.91	18/9	21.82
	<u>36,957</u>	<u>28,259.84</u>		<u>26,112.25</u>
Tax Base at 98% collection rate				25,590.01

CF3. DISTRIBUTION OF SURPLUS/DEFICIT

Distribution of Surplus/(Deficit)	Council Tax		Business Rates	
	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s
Harlow Council	(362)	(638)	744	85
Essex County Council	(1,626)	(2,717)	167	19
Essex Police and Crime Commissioner	(226)	(366)	-	-
Essex Fire Authority	(94)	(162)	19	2
Ministry of Housing, Communities and Local Government	-	-	931	106
	(2,308)	(3,883)	1,861	212

Group Accounts for the year ended 31 March 2019

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.

Harlow Trading Services (Property & Environment) Ltd. ("HTS") 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 has prepared 2018/19 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.

As a subsidiary, the accounts of HTS 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' 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 Summary Single Entity Accounts

IFRS Standard 12 requires that summarised financial information for subsidiaries is provided with in the Council's accounts. The Summary Profit and Loss Account and Summary Balance Sheet is given below.

GROUP ACCOUNTS

HTS Profit and Loss Account	2018/19 £000s	2017/18 £000s
Turnover	23,452	20,814
Cost of Sales	(10,025)	(12,559)
Gross Profit	13,427	8,255
Administrative Expenses	(12,912)	(7,882)
Operating Profit from continuing operations before Tax	515	373
Tax on Profit on Ordinary Activities	(101)	(71)
Profit for the period	413	302

HTS Balance Sheet	2018/19 £000s	2017/18 £000s
Property, Plant & Equipment	893	1,012
Intangible Assets	269	359
Long-Term Assets	1,162	1,371
Trade and Other Receivables	1,607	1,262
Cash and Cash Equivalents	1,868	1,828
Current Assets	3,475	3,090
Current Liabilities	(2,863)	(2,784)
Long-Term Liabilities	(948)	(1,265)
Net Assets attributable to members	826	412
Balance brought forward	(412)	(110)
Profit for the period	(413)	(302)
Total Reserves	(825)	(412)

GROUP ACCOUNTS

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council and HTS, 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 Reserves £000s	Group Movements £000s	Group Reserves £000s
Balance at 31 March 2017 carried forward	545,772	110	545,882
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	596,849	416	597,265
Movement in reserves during 2018/19			
Surplus / (Deficit) on the provision of services	(24,225)	413	(23,812)
Other Comprehensive Income and Expenditure	43,177	-	43,177
Total Comprehensive Income and Expenditure	18,952	413	19,365
Adjustments between accounting basis and funding basis under regulations	-	18	18
Increase / (Decrease) in 2018/19	18,952	432	19,384
Balance at 31 March 2019 carried forward	615,801	848	616,649

GROUP ACCOUNTS

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 (CIES)	2018/19 Harlow Council	Movement	2018/19 Group CIES	2017/18 Group CIES
	£000s	£000s	£000s	£000s
Net Expenditure				
Managing Director & Services	185	-	185	240
Community Wellbeing	5,781	(6)	5,775	4,795
Finance	3,506	5	3,511	4,040
Place	4,751	(951)	3,800	2,805
Housing GF	1,465	-	1,465	978
Governance	1,892	-	1,892	1,620
Housing HRA	5,024	(208)	4,816	11,466
Cost of Services	22,604	(1,159)	21,445	25,944
Other Operating Expenditure	6,356	-	6,356	15,058
Financing and Investment Income and Expenditure	8,680	724	9,404	9,979
Taxation and Non-Specific Grant Income	(13,415)	-	(13,415)	(14,394)
(Surplus)/ Deficit on Provision of Services	24,225	(435)	23,790	36,587
Tax Expenses on Subsidiaries			-	4
	24,225	(435)	23,790	36,591
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets	(26,980)	-	(26,980)	(74,412)
(Surplus)/ Deficit on Revaluation of Available for Sale Financial Assets	(7)	-	(7)	(77)
Actuarial (Gains)/ Losses on Pension Assets and Liabilities	(16,190)	-	(16,190)	(13,485)
Other Comprehensive Income and Expenditure	(43,177)	-	(43,177)	(87,974)
Total Comprehensive Income and Expenditure	(18,952)	(435)	(19,387)	(51,383)

GROUP ACCOUNTS

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	2018/19 Harlow Council £000s	2018/19 Movement £000s	2018/19 Group £000s	2017/18 Group £000s
Property, Plant & Equipment	871,066	915	871,981	860,149
Heritage Assets	1,738	-	1,738	1,622
Investment Property	1,916	-	1,916	1,906
Intangible Assets	623	269	892	1,125
Long-Term Investments	3,961	(702)	3,259	1,116
Long-Term Debtors	4,136	-	4,136	1,417
Long-Term Assets	883,440	482	883,922	867,335
Short-Term Investments	7,524	-	7,524	11,321
Assets Held for Sale	1,554	-	1,554	1,528
Inventories	40	42	82	66
Short-Term Debtors	15,951	874	16,825	13,767
Cash and Cash Equivalents	21,501	1,868	23,369	27,432
Current Assets	46,570	2,784	49,354	54,114
Short-Term Borrowing	(81)	-	(81)	(81)
Short-Term Creditors	(23,139)	(2,173)	(25,312)	(18,444)
Short-Term Provisions	(1,133)	-	(1,133)	(1,117)
Current Liabilities	(24,353)	(2,173)	(26,526)	(19,642)
Long-Term Creditors	(224)	-	(224)	(809)
Long-Term Borrowing	(211,837)	(246)	(212,083)	(211,933)
Other Long-Term Liabilities	(77,626)	-	(77,626)	(91,696)
Grants Receipts in Advance - Capital	(169)	-	(169)	(96)
Long-Term Liabilities	(289,856)	(246)	(290,102)	(304,534)
Net Assets	615,801	848	616,649	597,273
Usable Reserves	(54,174)	(848)	(55,022)	(51,996)
Unusable Reserves	(561,627)	-	(561,627)	(545,277)
Total Reserves	(615,801)	(848)	(616,649)	(597,273)

Group Cash Flow Statement

Statement of Accounts 2018/19

GROUP ACCOUNTS

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 group. 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	2018/19 Harlow Council £000s	2018/19 Movement £000s	2018/19 Group £000s	2017/18 Group £000s
Net Surplus/(Deficit) on the Provision of Services	(24,225)	435	(23,790)	(36,591)
Adjustments to Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements	46,489	(1,088)	45,401	60,341
Adjustments for Items Included in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities	(5,221)	-	(5,221)	(6,577)
Net Cash Flows from Operating Activities	17,043	(653)	16,390	17,173
Investing Activities	(19,827)	691	(19,136)	(9,925)
Financing Activities	(1,318)	-	(1,318)	(1,268)
Net (Increase)/Decrease in Cash and Cash Equivalents	(4,102)	38	(4,064)	5,980
Cash and Cash Equivalents at the Beginning of the Reporting Period	25,603	1,829	27,432	21,452
Cash and Cash Equivalents at the End of the Reporting Period	21,501	1,867	23,368	27,432

GLOSSARY OF TERMS & ABBREVIATIONS

GLOSSARY OF TERMS AND ABBREVIATIONS

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

Accounting Period

A period of 12 months commencing on 1 April also referred to as "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 or made in the financial year. The Council accrues for both revenue and capital items.

Amortisation

The measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period, charged to the Income and Expenditure Account. It reduces the carrying value of these assets in the Balance Sheet and is similar to a depreciation charge.

Annual Governance Statement

A statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively.

Assets 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 any assets that are going to be abandoned or scrapped at the end of their useful lives.

Balances (or Reserves)

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; and some that are technical only and may not be used to finance 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 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%).

GLOSSARY OF TERMS & ABBREVIATIONS

Capital Expenditure

Spending which produces or enhances an asset such as land, buildings, roads, vehicles, plant and machinery, and intangible assets such as computer software. Any expenditure which does not fall within the definition must be charged to a revenue account.

Capital Adjustment Account

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

Capital Receipts

Proceeds from the sale of fixed assets such as land and buildings which 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 be used to finance revenue expenditure.

Carrying Amount

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.

Collection Fund

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 Council.

Collection Fund Adjustment Account

A 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

Identifying parts of an asset which, by their nature, are required to be depreciated according to their individual economical lives. For example, components in a building might comprise land, building structure, major mechanical and electrical items.

GLOSSARY OF TERMS & ABBREVIATIONS

Consumer Price Index (CPI)

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 or asset exists and for which it is inappropriate to set up a debtor or provision in the accounts.

Deferred Credits (Capital Receipts)

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

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 - Central Government department which administers the State Pension and a range of working age, disability and ill health benefits.

Earmarked Reserves

Funds set aside for a specific purpose, or a particular service, or type of expenditure.

Finance Lease

An 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

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Includes bank deposits, cash, investments, debtors (or receivables), long-term debtors, creditors, temporary loans and borrowings.

Fixed Assets - Tangible

Assets with a physical presence such as land and buildings and which 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

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

Harlow Trading Services (Property & Environment) Ltd (HTS)

A company set up by the Council and a wholly owned subsidiary of HTS Group Ltd. Provide housing repairs and maintenance, capital and planned works, facilities management, environmental and compliance services to the tenants, leaseholders and residents of Harlow.

GLOSSARY OF TERMS & ABBREVIATIONS

Infrastructure Assets

Assets which have no tangible value such as highways and roads.

International Accounting Standard Board (IASB)

The accounting standards setting body.

International Financial Reporting Standard (IFRS)

Accounting standards which are recognised globally.

Impairment

An accounting adjustment made to the value of an 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

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

International Public Sector Accounting Standards (IPSAS)

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.

Investment Property

Land and buildings, or part of a building 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 – Short-Term

Cash deposits for less than one year with approved institutions.

Loans and Receivables

Sums invested by the Council that are not quoted in an active market; and short-term trade debtors.

Long-Term Debtors

Debtors where the capital income is still to be received, for example, from the sale of an asset or the granting of a loan.

Medium Term Financial Strategy (MTFS)

The Council's strategic financial plan for a 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)

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.

GLOSSARY OF TERMS & ABBREVIATIONS

MHCLG

The Ministry of Housing, Communities and Local Government - a Government department responsible for housing, planning, devolution and local government, as well as community issues.

Movement in Reserves Statement (MIRS)

A core financial statement which shows 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-Current Assets

Capital assets which provide benefits to the Council for more than a year.

Non-operational Assets

Non-current 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

Non-current 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 lessor.

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

Perpetuity Reserves

Funds received from a range of sources over many years which have covenants concerning their use (contractually binding obligations, usually indefinite in nature), or have incorporated other contractual or ring-fencing obligations.

Pooling of Housing Capital Receipts

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

An amount which an 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 through the Council Tax.

Profit on the sale of Non-Current Assets

The difference between the book value of an asset sold and the sale proceeds.

GLOSSARY OF TERMS & ABBREVIATIONS

Provisions

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

Receivables

See “Loans and Receivables” above.

Reserves

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

Retail Price Index (RPI)

Measure of inflation that examines changes in the weighted average of prices of a basket of consumer goods and services. RPI includes the cost of mortgage interest in its calculation which is excluded from CPI.

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 Non-current assets. Examples include grants and similar advances made to other parties to finance capital investment.

Revenue Support Grant

Government grant provided by the MHCLG based on the Government’s assessment as to what should be spent on local services. The amount of grant is fixed at the beginning of each financial year.

Surplus Asset

A non-current asset not in use which does not meet the criteria of Assets Held and is held as Property, Plant and Equipment.

Tangible Assets

Property, plant and equipment which 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. .

UK Generally Accepted Accounting Practice (GAAP) Accounting Standards

Accounting Standards and other guidance published by the UK’s Financial Reporting Council (FRC).

INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

INDEPENDENT AUDITOR'S REPORT & CERTIFICATE

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

Issued by the appointed auditor, BDO LLP, upon completion of the audit, due July 2019.

SECTION C

**ANNUAL GOVERNANCE
STATEMENT**

Harlow Council - Annual Governance Statement 2018/19

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 reviewed November 2018) 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 2019 and up to the date that the statement of accounts was approved.

ANNUAL GOVERNANCE STATEMENT

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

ANNUAL GOVERNANCE STATEMENT

- 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 Head of Governance, 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 2018/19. 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 2018/19 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 2018/19 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**

ANNUAL GOVERNANCE STATEMENT

5.1. This AGS demonstrates that the Council has sound governance arrangements in place which continue to work well in practice for the 2018/19 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:

ANNUAL GOVERNANCE STATEMENT

Table 1 – Progress on significant governance issues identified in the 2017/18 AGS

Significant issue identified in 2017/18 AGS	Action taken in 2018/19 to address the issue
<p>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.</p>	<p>The number of self-reported data breaches to the Information Commissioner's Office during 2018/19 was low, being two. The ICO took no further action as they placed reliance on the action plan submitted with each notification.</p> <p>GDPR across the Council is overseen by the Officer Information Governance Group. Membership includes the Council's Data Protection Officer, who works in conjunction with Internal Audit to ensure data protection compliance.</p>
Common theme from the Service Assurance Statements was:	
<p>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.</p>	<p>Progress against this is being monitored by the Corporate Governance Group.</p> <p>The updated corporate business continuity plan/emergency plan has been reviewed by Senior Management Board, who approved the need for a testing regime to be implemented.</p> <p>A desk top exercise took place during 2018/19 which included Heads of Service and Third Tier Managers, with a more extensive test planned when the Council's telephony system has been upgraded. In the meantime, IT disaster recovery arrangements at Latton Bush have been tested in conjunction with service users.</p> <p>Critical Incident Training involving Councillors, senior officers and key staff took place on Monday 15th April 2019.</p>

- 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:

Table Two: Areas for improvement or monitoring during 2019/20

Key improvement/review area	Action to be taken in 2019/20
<p>1. Harlow Trading Services (HTS) Group: With the expansion of the HTS Group, and the potential for further entities, governance arrangements need to be kept under review.</p>	<p>Review the robustness of governance arrangements, including the role of the Shareholders Sub Committee to ensure it is adequately carrying out the shareholder functions on behalf of the Council and to avoid both officer and member conflict of interests.</p>
<p>2. Brexit: If there is a 'no deal' Brexit then this may impair the Council's strategic aims and objectives.</p>	<p>The implications are being regularly monitored by SMB. The Council liaises with the Local Resilience Forum Lead and with the East of England LGA on Brexit related operational issues and community impact. In turn both these organisations</p>

ANNUAL GOVERNANCE STATEMENT

Key improvement/review area	Action to be taken in 2019/20
	liaise with MHCLG.
Common theme from the Service Assurance Statements were:	
3. Operational risk management: Recording of key operational risks could be improved to ensure they feed into the corporate risk management process and for better identification of interrelated risks.	This will be addressed through the roll out of the new risk strategy, review of the Council's risk appetite and assessment of the Council's risk maturity which will allow benchmarking of risk management within the Council against best practice and establish how well risk management as a discipline is embedded and integrated.
4. Project management: Lack of corporate approach for projects.	Outcomes on the development of project management processes and methodology within the In-Phase system needs to rolled out across the Council

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

<p>6.4. 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.</p>								
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