



# Harlow District Council

## Statement of Accounts and Annual Governance Statement 2019/20

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# NARRATIVE REPORT

### **Introduction**

Welcome to Harlow District Council's Statement of Accounts for the year ending 31 March 2020.

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. Further details of the Enterprise Zone, together with associated web links, are available to view on-line at: <http://www.harlowez.org.uk>.

A Council funded capital scheme to refurbish the retail, commercial and residential properties at Prentice Place has continued during 2019/20 and work is anticipated to finish during 2020/21.

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 its 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.

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 in its General Fund over that period.

The Council has achieved 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.

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 2019/20**

#### **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 £12.4 million in February 2020. In overall terms, the Council made a small surplus on General Fund services of £23,000.

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

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| General Fund Outturn                   | Original Estimate | Revised Estimate | Actual        | Variance To Revised |
|--|-------------------|------------------|---------------|---------------------|
|  | £000s             | £000s            | £000s         | £000s               |
| <b>Council Services</b>                |                   |                  |               |                     |
| Managing Director                      | 5                 | 5                | 7             | 2                   |
| Finance                                | (130)             | (128)            | 762           | 890                 |
| Community Wellbeing                    | 2,812             | 2,839            | 3,149         | 310                 |
| Housing (GF)                           | 1,271             | 1,271            | 1,273         | 2                   |
| Governance                             | 2,040             | 2,146            | 2,035         | (111)               |
| Place                                  | 6,680             | 6,683            | 6,315         | (368)               |
| Net Service Expenditure                | 12,678            | 12,816           | 13,541        | 725                 |
| Net Interest Payable                   | 281               | 281              | 59            | (222)               |
| MRP                                    | 230               | 230              | 265           | 35                  |
| Other Operating income                 | (1,731)           | (1,731)          | (4,350)       | (2,619)             |
|  | 11,458            | 11,596           | 9,515         | (2,081)             |
| Transfers to / (from) reserves         | 991               | 991              | 3,049         | 2,058               |
| <b>Total Net Spending for the Year</b> | <b>12,449</b>     | <b>12,587</b>    | <b>12,564</b> | <b>(23)</b>         |

### General Fund Budget Variations (Actual Against Revised Estimate)

During 2019/20 the Council's total net expenditure on its General Fund was £12.6 million (£10.7 million 2018/19), which was offset by income from Council Tax and Government Grants. Net service expenditure, at £13.5 million, was higher (£0.725 million) than the revised estimate. Income was considerably higher as a result of windfall business rates retained 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 General Fund Balance as at 31 March 2020 stands at £4.511 million. This continues to compare favourably with the Council's recommended minimum working balance of £2.5 million. The purpose of the General Fund is to enable the Council to hold sufficient resources to help both protect itself financially into the future and to protect the services it delivers to Harlow.

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### Revenue spending - Housing Revenue Account

The following table summarises the outturn position:

| HOUSING REVENUE ACCOUNT OUTTURN             | Original Estimate<br>£000s | Revised Estimate<br>£000s | Actual<br>£000s | Variance to Revised<br>£000s |
|---|----------------------------|---------------------------|-----------------|------------------------------|
| <b>Expenditure</b>                          |                            |                           |                 |                              |
| General Management                          | 11,544                     | 11,544                    | 10,908          | (636)                        |
| Special Management                          | 7,695                      | 7,695                     | 7,331           | (364)                        |
| Repairs                                     | 10,873                     | 10,873                    | 10,305          | (568)                        |
| Rent Rates Taxes & Other Charges            | 52                         | 52                        | 85              | 33                           |
| Provision for Bad & Doubtful Debts          | 280                        | 280                       | 359             | 79                           |
| Supporting People Transitional Arrangements | 5                          | 5                         | 5               | (0)                          |
| Depreciation & Impairment                   | 10,085                     | 10,085                    | 10,624          | 539                          |
| Debt Management Expenses                    | 17                         | 17                        | 6               | (11)                         |
| Interest Charges                            | 6,624                      | 6,624                     | 6,673           | 49                           |
| Revenue Contribution to Capital Expenditure | 9,191                      | 9,191                     | 0               | (9,191)                      |
| <b>Total Spending for Year</b>              | <b>56,365</b>              | <b>56,366</b>             | <b>46,296</b>   | <b>(10,070)</b>              |
| <b>Income</b>                               |                            |                           |                 |                              |
| Dwelling Rents                              | (43,004)                   | (43,004)                  | (42,155)        | 849                          |
| Garage Rents                                | (1,019)                    | (1,019)                   | (1,032)         | (13)                         |
| Other Rents                                 | (66)                       | (66)                      | (62)            | 4                            |
| Charges for Services & Facilities           | (5,486)                    | (5,486)                   | (4,873)         | 613                          |
| Interest Receivable                         | (103)                      | (103)                     | (195)           | (92)                         |
| <b>Total Income for Year</b>                | <b>(49,677)</b>            | <b>(49,678)</b>           | <b>(48,317)</b> | <b>1,361</b>                 |
| <b>Net (Surplus)/Deficit</b>                | <b>6,688</b>               | <b>6,688</b>              | <b>(2,021)</b>  | <b>(8,709)</b>               |

The Council set a gross expenditure budget of £56.365 million on HRA services. This was partly offset by a revenue income budget of £49.677 million to leave a planned deficit of £6.688 million. The planned deficit was to provide direct revenue funding to the Housing Capital Programme.

### Housing Revenue Account Budget Variations (Actual Against Original Estimate)

It can be seen from the above table that in 2019/20 the net variation in HRA income and expenditure was a favourable £8.709 million.

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

- General management was underspent because of a major restructuring of Housing Asset Management roles, Technical Services and Property Management positions as a result of the cessation of the Savills's (UK) Ltd partnership. This has been planned over two years and it is anticipated that this will be completed in 2020/21.

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- There were savings in electricity costs arising from adjustments to invoices in the previous period. These invoices were in respect of lighting in communal areas and the savings have been passed on to tenants by adjusting their weekly service charges.
- Each year, support is given to tenants in temporary accommodation to move into secure tenancies once they are available. There has been less movement in 2019/20 and as a consequence this budget is underspent.
- Payments to HTS were lower than anticipated due to the lockdown in March from the COVID19 pandemic. HTS suspended all responsive and planned repairs on the 23rd March 2020 and only concentrated on emergency calls out to vulnerable people.
- There was a saving in the cost of lift maintenance because of the lift refurbishment programme and expenditure on water treatment works is lower than anticipated due to the lockdown in March 2020.
- During the year, tenant rent arrears increased by £125,000 and in line with the Council bad debt policy it has been necessary to increase the impairment allowance by £79,000 more than anticipated.
- The provision for depreciation of HRA fixed assets increased to £10.6 million. In accordance with proper resource accounting practices the provision for depreciation will be used to finance the capital programme through the major repairs reserve.
- During the year HRA assets were revalued by the Council's valuers and property values were impaired in line with proper valuation practice. The additional impairment allowance is charged to the HRA but reversed out with an adjustment to the Capital Adjustment Account so there is no direct cost to the HRA.
- Due to delays in the capital programme, there was no need to make a revenue contribution to finance the capital programme. A detailed explanation of the variation are set out in the paragraphs below.
- Actual dwelling rents were lower than anticipated because Right to Buy (RTB) sales were higher than budgeted. There were also some accounting adjustments in respect of previous years following the reconciliation of the housing management system with the financial information system.
- Following the receipt of lower than anticipated electricity invoices from the supplier these reductions were passed on to the tenants and leaseholders resulting in a lower than anticipated income to the HRA.
- Higher than anticipated general HRA balances resulted in additional interest being credited to the HRA.

### **Capital spending**

In its capital investment programme aligned with both General Fund and Housing services, the Council incurred expenditure totalling £24.7 million in 2019/20 against an approved programme of £43.6 million. Schemes to the value of £19.2 million are to be carried forward for works due to be undertaken during 2020/21.

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Housing schemes included:

- General improvements to homes (includes internal and external works, windows and doors, electrical works); £7.099 million
- Lift refurbishments; £0.54 million
- Disabled adaptations to properties; £0.887 million
- Energy Efficiency work (includes upgrades to District Heating and communal boilers); £1.391 million.
- Fire safety and work to Tower Blocks (includes Compliance & Asbestos Removal); £3.631 million
- New build and Property Conversions; £0.76 million
- Garages Refurbishments; £0.454 million

Non-housing schemes included:

- Prentice Place Development; £1.887 million
- Refurbishment of commercial properties including the Barbara Castle Health Centre, the Abercrombie Centre and the Latton Bush Centre; £0.441 million
- Garages; £0.363 million
- Renovation of Harlow Playhouse as part of a 4 year project; £0.228 million
- Community Buildings and Services (includes Playgrounds, Allotments, Harlow Museum, the Leah Manning Centre, Neighbourhood Shopping Centres and the Bandstand); £0.261 million
- IT Equipment and Software; £0.143 million
- Enterprise Zone/Modus; £5.649 million

### **Enterprise Zone**

In 2014/15 the Council received a grant of £11.205 million from the Department for Communities and Local Government (DCLG) for the acquisition of land and infrastructure work relating to the Harlow Enterprise Zone. This seeks to attract c100 businesses to the area and create more than 2,500 jobs over two linked sites on the eastern side of Harlow, at Templefields and London Road.

In 2015/16 the Council completed the acquisition of land (£5.73 million) at London Road to enable the delivery of a new Science Park on the Enterprise Zone site. During the year the Council undertook the construction of a new access road to the site and this completed in March 2017. The Council also undertook the procurement of a development partner, Vinci UK Developments Ltd, to deliver the construction of the new Science Park and the design of the site infrastructure. Construction of this commenced in the autumn of 2017, funded by the balance of the DCLG grant and additional loan finance, and this completed in June 2018.

The autumn of 2018 saw the commencement of the construction of the first two buildings on the Science Park site, one of which will be owned by Harlow Council and the other by Anglia Ruskin University - both buildings were completed in April 2020.

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The development of a further plot on the site comprising six light industrial units commenced in February 2020 and will complete in early 2021. All of these units will also be owned by Harlow Council and held as part of the Council's commercial property portfolio.

New tenants have been secured at Kao Park (former Nortel site) with the office space now at 95% occupancy. Construction on the first data centre building completed in January 2019 and that is now fully operational with contracted customers in place.

### **Programme of Development**

In 2019/20 the Council held £1.6 million as the Accountable Body for Programme of Development regeneration schemes. The grant monies included £1.3 million for capital works which were made available by the DCLG to the Council and its partner local authorities for approved regeneration schemes.

During 2019/20 the Council drew down a total £0.295 million of which £0.206 million related to the acquisition of Osler House.

### **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 2019/20 capital investment was financed by £7.6 million from internal resources, £5.6 million of which was used to finance work at the Enterprise Zone. The Council has not entered into borrowing to finance the housing capital programme but has used surplus resources.

### **Funding the Capital Programme**

The General Fund Capital Programme expenditure totalled £9.985 million and was funded through a combination of Direct Revenue Financing (£0.803 million), Grants and other Contributions (£0.767 million), Capital Receipts (£0.766 million) and Internal Borrowing (£7.649 million).

The Housing Capital Programme expenditure totalled £14.764 million and was financed from Major Repairs Reserve (£10.625 million), Capital Receipts (£1.895 million) and Other Contributions (£2.244 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 2019/20 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 £41.781 million at 31 March 2019 to £38.682 million as at 31 March 2020, a decrease of £3.099 million. The most significant movements were:

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- a reduction of £7.524million in short-term investments placed for periods exceeding three months in duration;
- an increase in the level of short-term debtor balances of £4.286 million.

Current liabilities have reduced from £18.585 million at 31 March 2019 to £13.792 million as at 31 March 2020, a reduction of £4.793 million. This reduction is largely represented by a £4.911 million reduction in sundry creditors, as shown in note 15 of the financial statements.

### Other Long Term Liabilities - Pension Fund

Pension Fund liabilities have reduced from £78.182 million as at 31 March 2019 to £70.039 million as at 31 March 2020. This reduction is based on the Council's Actuarial assessment of pension assets compared to liabilities.

### COVID-19 and Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The Council has carried out a detailed assessment of the likely impact of COVID-19 on its financial position and performance during 2019/20, 2020/21 and beyond. This included consideration of the following:

- Loss of income on a service by service basis, due to temporary closures, reduction in demand, and increased collection losses.
- Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to the crisis (such as additional costs relating to temporary accommodation for the homeless), and additional costs associated with changes to working practices (such as remote working).
- Changes to Government policy, e.g. changes to business rate reliefs, guidance on supplier relief, additional funding for local authorities, and additional responsibilities which sit alongside this.
- The impact on the Council's capital programme, e.g. delays caused by Government restrictions, and whether there is a need to re-phase work for other reasons.
- The impact of all of the above on the Council's cash flow and treasury management, including availability of liquid cash impact on investment returns, and availability of external borrowing if required.
- The estimated overall impact on the Council's General Fund reserves.

This review has highlighted that COVID-19 poses a significant financial challenge for the Council, as it will for all local authorities. However, based on the Council's assessment at the end of June 2020, the net total impact of COVID-19 on the Council's General Fund is currently estimated to be largely offset by the support provided from central government by way of additional grants and compensation for lost income. The impact on the General Fund balance is a drawdown of £500,000.

By way of context, as at 31 March 2020 the balance of the Council's general fund and revenue reserves stands at £34 million (subject to year-end adjustments and audit).

It is therefore noted that there is significant headroom within the General Fund to absorb the estimated financial impact of COVID-19 in the short to medium-term. Furthermore, the Code

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requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

### **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 2019/20 are set out in its Corporate Plan 2020 -2021, available on the Council's website.

### **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 2019/20("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 18)**

Councils are required to set out the respective responsibilities of the Council and of the Head of Finance and Deputy to the Chief Executive in relation to the accounts.

#### **Movement in Reserves Statement (page 20)**

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

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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 21)

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 22)

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 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 23)

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 35)

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 88)

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

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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 96)

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 99)

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. 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 2019/20.

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/your-council/spending-and-performance](http://www.harlow.gov.uk/your-council/spending-and-performance)
- contact me by e-mail at [simon.freeman@harlow.gov.uk](mailto: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](mailto:Francesca.Palmer@bdo.co.uk)

**Simon Freeman**  
**Deputy to the Chief Executive and Head of Finance and Property Services**  
**31 August 2020**



# **STATEMENT OF ACCOUNTS 2019/20**

# 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 Deputy to the Chief Executive and Head of Finance and Property Services
- 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 Deputy to the Chief Executive and Head of Finance and Property Services

- The Deputy to the Chief Executive and Head of Finance and Property Services 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 Deputy to the Chief Executive and Head of Finance and Property Services 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 Deputy to the Chief Executive and Head of Finance and Property Services 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 17 to 106 presents a true and fair view of the financial position of Harlow District Council as at 31 March 2020 and its financial performance and cash flows for the year ended 31 March 2020.

The unaudited accounts were issued on 31 August 2020 and, when completed, the audited accounts are due to be presented to the Council's Audit and Standards Committee in due course for review, immediately prior to being authorised and issued for publication.

Signed ..... Date  
Simon Freeman CPFA  
Deputy to the Chief Executive and Head of Finance and Property  
Services

Signed ..... Date  
Councillor Stefan Mullard  
Chair of Audit and Standards Committee



# **CORE FINANCIAL STATEMENTS**

## MOVEMENT IN RESERVES STATEMENT

|   | General Fund<br>Balance<br>£000s | Earmarked<br>General Fund<br>Reserves<br>£000s | Housing<br>Revenue<br>Account<br>£000s | Earmarked<br>HRA Reserves<br>£000s | Capital<br>Receipts<br>Reserve<br>£000s | Capital Grants<br>Unapplied<br>Account<br>£000s | Total Usable<br>Reserves<br>£000s | Unusable<br>Reserves<br>£000s | Total Council<br>Reserves<br>£000s |
|---|----------------------------------|--|--|------------------------------------|---|---|-----------------------------------|-------------------------------|------------------------------------|
| <b>Balance at 31 March 2018 carried forward</b>                                   | <b>6,735</b>                     | <b>17,230</b>                                  | <b>14,102</b>                          | <b>4,509</b>                       | <b>7,058</b>                            | <b>1,946</b>                                    | <b>51,582</b>                     | <b>556,150</b>                | <b>607,732</b>                     |
| <b>Movement in reserves during 2018/19</b>  |                                  |  |  |                                    |   |   |                                   |                               |                                    |
| Surplus / (Deficit) on the provision of services                                  | (6,430)                          |  | (16,476)                               |                                    |   |   | (22,906)                          |                               | (22,906)                           |
| Other Comprehensive Income and Expenditure  |                                  |  |  |                                    |   |   |                                   | 30,579                        | 30,579                             |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>(6,430)</b>                   |  | <b>(16,476)</b>                        |                                    |   |   | <b>(22,906)</b>                   | <b>30,579</b>                 | <b>7,673</b>                       |
| Adjustments between accounting basis and funding basis under regulations (Note 7) | 12,633                           |  | 16,100                                 |                                    | (2,584)                                 | (648)   | 25,501                            | (25,501)                      |                                    |
| <b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>           | <b>6,203</b>                     |  | <b>(376)</b>                           |                                    | <b>(2,584)</b>                          | <b>(648)</b>                                    | <b>2,595</b>                      | <b>5,078</b>                  | <b>7,673</b>                       |
| Transfers to/ (from) Earmarked Reserves   | (8,450)                          | 8,451  | 5                                      | (5)                                |   |   |                                   |                               |                                    |
| <b>Increase / (Decrease) in 2018/19</b>   | <b>(2,247)</b>                   | <b>8,451</b>                                   | <b>(371)</b>                           | <b>(5)</b>                         | <b>(2,584)</b>                          | <b>(648)</b>                                    | <b>2,595</b>                      | <b>5,078</b>                  | <b>7,673</b>                       |
| <b>Balance at 31 March 2019 carried forward</b>                                   | <b>4,488</b>                     | <b>25,681</b>                                  | <b>13,731</b>                          | <b>4,504</b>                       | <b>4,474</b>                            | <b>1,298</b>                                    | <b>54,177</b>                     | <b>561,228</b>                | <b>615,405</b>                     |
| <b>Movement in reserves during 2019/20</b>  |                                  |  |  |                                    |   |   |                                   |                               |                                    |
| Surplus / (Deficit) on the provision of services                                  | 529                              |  | 7,447                                  |                                    |   |   | 7,976                             |                               | 7,976                              |
| Other Comprehensive Income and Expenditure  |                                  |  |  |                                    |   |   |                                   | 11,320                        | 11,320                             |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>529</b>                       |  | <b>7,447</b>                           |                                    |   |   | <b>7,976</b>                      | <b>11,320</b>                 | <b>19,296</b>                      |
| Adjustments between accounting basis and funding basis under regulations (Note 7) | 3,288                            |  | (5,259)                                |                                    | 6,634                                   | 891   | 5,554                             | (5,554)                       |                                    |
| <b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>           | <b>3,817</b>                     |  | <b>2,188</b>                           |                                    | <b>6,634</b>                            | <b>891</b>                                      | <b>13,530</b>                     | <b>5,766</b>                  | <b>19,296</b>                      |
| Transfers to/ (from) Earmarked Reserves   | (3,792)                          | 3,792  | (168)                                  | 168                                |   |   |                                   |                               |                                    |
| <b>Increase / (Decrease) in 2019/20</b>   | <b>25</b>                        | <b>3,792</b>                                   | <b>2,020</b>                           | <b>168</b>                         | <b>6,634</b>                            | <b>891</b>                                      | <b>13,530</b>                     | <b>5,766</b>                  | <b>19,296</b>                      |
| <b>Balance at 31 March 2020 carried forward</b>                                   | <b>4,513</b>                     | <b>29,473</b>                                  | <b>15,751</b>                          | <b>4,672</b>                       | <b>11,108</b>                           | <b>2,189</b>                                    | <b>67,707</b>                     | <b>566,994</b>                | <b>634,701</b>                     |

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

|   | Notes | 2019/20<br>Gross<br>Expenditure<br>£000s | 2019/20<br>Gross<br>Income<br>£000s | Net<br>Expenditure<br>£000s | 2018/19<br>Net<br>Expenditure<br>£000s |
|---|-------|--|-------------------------------------|-----------------------------|--|
| Chief Executive and Services  |       | 253                                      | -                                   | 253                         | 185                                    |
| Corporate Services  |       | -  | (346)                               | (346)                       | 1,052                                  |
| Community Wellbeing   |       | 3,789                                    | (907)                               | 2,882                       | 5,330                                  |
| Finance   |       | 35,186                                   | (33,504)                            | 1,682                       | 3,193                                  |
| Place   |       | 10,273                                   | (4,939)                             | 5,334                       | 4,066                                  |
| Housing General Fund  |       | 2,303                                    | (1,165)                             | 1,138                       | 1,355                                  |
| Governance  |       | 5,667                                    | (1,989)                             | 3,678                       | 1,768                                  |
| Housing Revenue Account   |       | 35,735                                   | (49,804)                            | (14,069)                    | 4,304                                  |
| <b>Cost of Services</b>   |       | <b>93,206</b>                            | <b>(92,654)</b>                     | <b>552</b>                  | <b>21,253</b>                          |
| Other Operating Expenditure   | 8     |  |                                     | (4,391)                     | 6,356                                  |
| Financing and Investment Income<br>and Expenditure                              | 9     |  |                                     | 8,393                       | 8,712                                  |
| Taxation and Non-Specific Grant<br>Income                                       | 10    |  |                                     | (12,530)                    | (13,415)                               |
| <b>(Surplus)/ Deficit on Provision of<br/>Services</b>                          |       |  |                                     | <b>(7,976)</b>              | <b>22,906</b>                          |
| (Surplus)/ Deficit on Revaluation of<br>Property, Plant and Equipment<br>Assets |       |  |                                     | (2,548)                     | (14,490)                               |
| (Surplus)/ Deficit on Revaluation of<br>Available for Sale Financial Assets     |       |  |                                     | 56                          | 3                                      |
| Actuarial (Gains)/ Losses on<br>Pension Assets and Liabilities                  |       |  |                                     | (8,827)                     | (16,092)                               |
| <b>Other Comprehensive Income and<br/>Expenditure</b>                           |       |  |                                     | <b>(11,320)</b>             | <b>(30,579)</b>                        |
| <b>Total Comprehensive Income and<br/>Expenditure</b>                           |       |  |                                     | <b>(19,296)</b>             | <b>(7,673)</b>                         |

## BALANCE SHEET

|                                      | Note | 2019/20<br>£000s | 2018/19<br>£000s |
|--------------------------------------|------|------------------|------------------|
| Property, Plant and Equipment        | 11   | 882,634          | 871,790          |
| Heritage Assets                      | 12   | 1,738            | 1,738            |
| Investment Property                  |      | 1,419            | 1,347            |
| Intangible Assets                    |      | 465              | 623              |
| Long-Term Investments                | 13   | 3,906            | 3,961            |
| Long-Term Debtors                    | 36   | 3,975            | 4,136            |
| <b>Long-Term Assets</b>              |      | <b>894,137</b>   | 883,595          |
| Short-Term Investments               | 13   |                  | 7,524            |
| Assets Held for Sale                 |      | 677              | 1,554            |
| Inventories                          |      | 55               | 40               |
| Short-Term Debtors                   | 14   | 15,448           | 10,315           |
| Cash and Cash Equivalents            | 15   | 22,501           | 21,501           |
| <b>Current Assets</b>                |      | <b>38,681</b>    | 40,934           |
| Short-term Borrowing                 | 13   | (81)             | (81)             |
| Short-term Creditors                 | 16   | (12,459)         | (16,523)         |
| Short-term Provisions                |      | (1,251)          | (1,133)          |
| Grants Receipts in Advance - Revenue | 26   | (81)             | (3)              |
| <b>Current Liabilities</b>           |      | <b>(13,872)</b>  | (17,740)         |
| Long-term Creditors                  | 13   | (363)            | (224)            |
| Long-term Borrowing                  | 34   | (213,551)        | (211,837)        |
| Other Long-term Liabilities          | 35   | (70,039)         | (78,182)         |
| Grants Receipts in Advance - Capital | 26   | (149)            | (999)            |
| Grants Receipts in Advance - Revenue |      | (114)            | (148)            |
| <b>Long-Term Liabilities</b>         |      | <b>(284,216)</b> | (291,390)        |
| <b>Net Assets</b>                    |      | <b>634,730</b>   | <b>615,400</b>   |
| Usable Reserves                      |      | (67,725)         | (54,174)         |
| Unusable Reserves                    | 18   | (567,005)        | (561,226)        |
| <b>Total Reserves</b>                |      | <b>(634,730)</b> | <b>(615,400)</b> |

## **CASH FLOW STATEMENT**

|  | <b>2019/20</b><br><b>£000s</b> | <b>2018/19</b><br><b>£000s</b> |
|--|--------------------------------|--------------------------------|
| Net Surplus/(Deficit) on the Provision of Services   | 7,976                          | (22,906)                       |
| Adjustments to Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements   | 18,292                         | 46,163                         |
| Adjustments for Items Included in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities | (906)                          | (7,820)                        |
| <b>Net Cash Flows from Operating Activities</b>  | <b>25,363</b>                  | 15,437                         |
| Investing Activities   | (21,426)                       | (17,988)                       |
| Financing Activities   | (2,937)                        | (1,551)                        |
| <b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>  | <b>1,000</b>                   | (4,102)                        |
| Cash and Cash Equivalents at the beginning of the Reporting Period   | 21,501                         | 25,603                         |
| <b>Cash and Cash Equivalents at the end of the Reporting Period</b>  | <b>22,501</b>                  | 21,501                         |

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# NOTES TO THE ACCOUNTS

## NOTES TO THE ACCOUNTS

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## Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Council's financial transactions for 2019/20 and its position at 31 March 2020. 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 2019/20 (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. Investment Property**

Investment properties are those which are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated but are revalued annually according to market conditions at the balance sheet date. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the CIES. They are then transferred, via the Movement in Reserves Statement, to the Capital Adjustment Account.

## **xiv. 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.

## **xv. 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.

#### **xvi. 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.

#### **xvii. 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.

#### **xviii. 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.

## 2. EXPENDITURE AND FUNDING ANALYSIS

|   | Notes  | 2019/20   |   |   | 2018/19   |   |   |
|---|--------|---|---|---|---|---|---|
|   |        | Net Expenditure Chargeable to the General Fund and HRA Balances | 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 | Adjustment between Funding and Accounting basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|   |        | £000s   | £000s   | £000s   | £000s   | £000s   | £000s   |
| Chief Executive and Services  |        | (253)   | -   | 253   | 184   | 1   | 185   |
| Corporate Services  |        | 346   | -   | (346)   | -   | 1,052   | 1,052   |
| Community Wellbeing   |        | (2,086)   | (796)   | 2,882   | 4,601   | 729   | 5,330   |
| Finance   |        | (653)   | (1,029)   | 1,682   | 3,549   | (372)   | 3,177   |
| Place   |        | (3,676)   | (1,658)   | 5,334   | 2,252   | 1,814   | 4,066   |
| Housing GF  |        | (1,076)   | (62)  | 1,138   | 1,382   | (27)  | 1,355   |
| Governance  |        | (3,610)   | (67)  | 3,678   | 1,804   | (36)  | 1,768   |
| Housing HRA   |        | 14,648  | (579)   | (14,069)  | (10,718)  | 15,022  | 4,304   |
| <b>Net Cost of Services</b>   |        | <b>3,640</b>  | <b>(4,191)</b>                                  | <b>552</b>  | <b>3,054</b>  | <b>18,183</b>                                   | <b>21,237</b>   |
| Other Income and Expenditure  | 8.9,10 | 2,365   | 6,163   | (8,528)   | (8,879)   | 11,331  | 2,452   |
| <b>(Surplus)/ Deficit</b>   |        | <b>6,005</b>  | <b>1,972</b>                                    | <b>(7,976)</b>  | <b>(5,825)</b>  | <b>29,514</b>                                   | <b>23,689</b>   |
| Opening General Fund and HRA Balance                                  |        | 48,402  |   |   | 42,577  |   |   |
| Plus Surplus / Less (Deficit) on General Fund and HRA Balance in Year |        | 6,005   |   |   | 5,825   |   |   |
| Closing General Fund and HRA Balance at 31 March                      |        | 54,407  |   |   | 48,402  |   |   |

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   | 2019/20                                 |   |                            |                           |
|--|---|---|----------------------------|---------------------------|
|  | Adjustment for Capital Purpose<br>£000s | Net Change for Pensions Adjustment<br>£000s | Other differences<br>£000s | Total Adjustment<br>£000s |
| <b>GENERAL FUND RESERVES</b>   |   |   |                            |                           |
| Community Wellbeing  | (617)                                   | (179)                                       | -                          | (796)                     |
| Finance  | (115)                                   | (956)                                       | 42                         | (1,029)                   |
| Place  | (1,492)                                 | (166)                                       | -                          | (1,658)                   |
| Housing GF   | (3)                                     | (59)  | -                          | (62)                      |
| Governance   | -                                       | (67)  | -                          | (67)                      |
| Housing HRA  | 500                                     | (1,139)                                     | 59                         | (579)                     |
| <b>Net Cost of Services</b>  | <b>(1,726)</b>                          | <b>(2,566)</b>                              | <b>101</b>                 | <b>(4,191)</b>            |
| <b>Other Income and Expenditure from the Expenditure Funding Analysis</b>  | <b>7,233</b>                            | <b>1,882</b>                                | <b>(2,952)</b>             | <b>6,163</b>              |
| <b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services</b> | <b>5,507</b>                            | <b>(684)</b>                                | <b>(2,851)</b>             | <b>1,972</b>              |

| Adjustment from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts   | 2018/19                                 |   |                            |                           |
|--|---|---|----------------------------|---------------------------|
|  | Adjustment for Capital Purpose<br>£000s | Net Change for Pensions Adjustment<br>£000s | Other differences<br>£000s | Total Adjustment<br>£000s |
| <b>GENERAL FUND RESERVES</b>   |   |   |                            |                           |
| Managing Director  | -                                       | -   | (1)                        | (1)                       |
| Corporate Services   | -                                       | (1,052)                                     | -                          | (1,052)                   |
| Community Wellbeing  | (823)                                   | 94  | -                          | (728)                     |
| Finance  | (166)                                   | 523   | (1)                        | 356                       |
| Place  | (1,907)                                 | 88  | 5                          | (1,814)                   |
| Housing GF   | (4)                                     | 31  | -                          | 27                        |
| Governance   | -                                       | 36  | 1                          | 37                        |
| Housing HRA  | (15,551)                                | 525   | 4                          | (15,022)                  |
| <b>Net Cost of Services</b>  | <b>(18,451)</b>                         | <b>245</b>                                  | <b>7</b>                   | <b>(18,199)</b>           |
| <b>Other Income and Expenditure from the Expenditure Funding Analysis</b>  | <b>(5,603)</b>                          | <b>(2,365)</b>                              | <b>(2,564)</b>             | <b>(10,532)</b>           |
| <b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services</b> | <b>(24,054)</b>                         | <b>(2,120)</b>                              | <b>(2,557)</b>             | <b>(28,731)</b>           |

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (page 21). The Council's expenditure and income can be analysed as follows:

| <b>Expenditure and Income by Nature</b>                | <b>2019/20<br/>£000s</b> | <b>2018/19<br/>£000s</b> |
|--|--------------------------|--------------------------|
| <b>Expenditure</b>                                     |                          |                          |
| Employee Benefits Expenses                             | 19,730                   | 20,445                   |
| Other Services Expenses                                | 58,780                   | 61,976                   |
| Depreciation, Amortisation and Impairment              | 14,255                   | 32,742                   |
| Interest Payments                                      | 7,024                    | 9,383                    |
| Payment to Housing Capital Receipts Pool               | 993                      | 4,485                    |
| Loss / (Gain) on the Disposal of Assets                | (4,942)                  | 1,871                    |
| <b>Total Expenditure</b>                               | <b>95,840</b>            | <b>130,902</b>           |
| <b>Income</b>  |                          |                          |
| Fees, Charges and Other Services Income                | (63,307)                 | (62,754)                 |
| Interest and Investment Income                         | 1,321                    | (677)                    |
| Income from Council Tax and Business Rates             | (10,496)                 | (11,327)                 |
| Government Grants and Contributions                    | (30,931)                 | (33,133)                 |
| Other  | (403)                    | (105)                    |
| <b>Total Income</b>                                    | <b>(103,816)</b>         | <b>(107,996)</b>         |
| <b>Surplus or deficit on the provision of services</b> | <b>(7,976)</b>           | <b>22,906</b>            |

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in pages 27 to 34, 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 its additional contributions in its Consolidated Income and expenditure statement.
- 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.

### 4. 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 2020 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 £187,000 for Council dwellings and £26,000 for other buildings for every year that useful lives had to be reduced.   |
| Provisions                    | The Council has made a provision of £2.768 million for the effect of changes to and successful appeals against Business Rates valuations, based on historical and current data. Of that amount £1.107 million is attributable to the Council and £1.661 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 £276,800 to the total amount required, of which £166,100 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 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.  | 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 £22.705 million.<br><br>However, the assumptions interact in complex ways. During 2019/20, the Council's actuaries advised that the net pension liability had reduced by £36.575 million as a |

| Item     | Uncertainties   | Effect if Actual Results Differ from Assumptions  |
|----------|---|---|
|          | the agreed additional pension contributions but exclude the attributable liabilities of its wholly owned subsidiary Harlow Trading Services (Property and Environment) Limited.   | result of changes in financial assumptions and increased by £15.491 million as a result of changes in demographic assumptions.                  |
| Arrears  | At 31 March 2020, the Council had made significant allowances for the impairment of debts, totalling £6.5 million. In the current economic climate. Including the effect of housing welfare reforms, it is not certain that the allowance is sufficient.                        | If the Council's collection rates were to deteriorate, an increase in the current provisions by 1% would require an extra provision of £65,000. |
| Covid-19 | There is a high level of uncertainty about the impact of the covid-19 pandemic on the value of the Council's non-current and other assets. The Council has assumed that there will be no significant impact on the value of its assets, investments and pension fund liability. | It is not possible to quantify the effect on values should the Council's assumption prove incorrect.  |

## 5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

### Revaluation of Council Properties

The Council had its non-current assets valued as at 31 December 2019. A further exercise was undertaken to determine whether there had been any material changes in values between that date and 31 March 2020. Movements and balances for non-current assets is shown in Note 10 (page 49).

### Council Tax

The Council received £7.643 million from the Collection Fund as its share of Council Tax receipts in 2019/20 (£7.653 million in 2018/19).

### Non Domestic (Business) Rates

The Council received Non Domestic Rates of £19.160 million under the rate retention system in 2019/20 (£18.871 million in 2018-19). This was offset by a payment under the system of £15.524 million as a tariff (£15.311 million in 2018/19).

### Housing Benefits

The Council has incurred spending of £24.268 million on housing benefits in 2019/20 (£27.792 million in 2018/19) and received Government grants of £27.285 million to meet this cost (£24.163 million in 2018/19).

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

The Council paid a net amount of £24.037 million to its wholly owned company in 2019/20 (£23.271 million in 2018/19) for the provision of a range of services which include housing property services, grounds maintenance, street cleaning and capital works.

#### Pensions

The Council paid £5.278 million in 2019/20 (£5.295 million in 2018/19) into the Local Government Pension Scheme in respect of pension costs. The pension fund deficit element was £2.813 million in both years. The Council also paid £0.628 million into the Scheme in 2019/20 (£0.587 million in 2018/19) 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 26 (page 71).

## **6. EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts was authorised for issue by the Deputy to the Chief Executive and Head of Finance and Property on 31 August 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## **7. 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.

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## 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.

## Adjustments made between accounting basis and funding basis under regulations

| 2019/20  | Usable Reserves               |                                  |                                   |                                |                                   | Movement in Unusable Reserves<br>£000s |
|--|-------------------------------|----------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--|
|  | General Fund Balance<br>£000s | Housing Revenue Account<br>£000s | Capital Receipts Reserve<br>£000s | Major Repairs Reserve<br>£000s | Capital Grants Unapplied<br>£000s |  |
| <b>Adjustments primarily involving the Capital Adjustment Account</b>  |                               |                                  |                                   |                                |                                   |  |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>  |                               |                                  |                                   |                                |                                   |  |
| Charges for depreciation and impairment of non-current assets  | (2,115)                       | (10,515)                         |                                   |                                |                                   | 12,630                                 |
| Revaluation gains/(losses) on Property Plant and Equipment   | 514                           | (1,789)                          |                                   |                                |                                   | 1,275                                  |
| Movements in the fair value of Investment Properties   |                               |                                  |                                   |                                |                                   |  |
| Amortisation of intangible assets  | (174)                         | (91)                             |                                   |                                |                                   | 265                                    |
| Capital grants and contributions applied   | 30                            | 2,244                            |                                   |                                |                                   | (2,274)                                |
| Revenue expenditure funded from capital under statute  | (452)                         |                                  |                                   |                                |                                   | 452                                    |
| 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 | (12)                          | (4,887)                          |                                   |                                |                                   | 4,899                                  |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>   |                               |                                  |                                   |                                |                                   |  |
| Statutory provision for the financing of capital investment  | 459                           |                                  |                                   |                                |                                   | (459)                                  |
| Capital expenditure charged against the General Fund and HRA balances  | 804                           |                                  |                                   |                                |                                   | (804)                                  |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>   |                               |                                  |                                   |                                |                                   |  |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement  | 1,628                         |                                  |                                   |                                | (1,628)                           |  |
| Application of grants to capital financing transferred to the Capital Adjustment Account   |                               |                                  |                                   |                                | 737                               | (737)                                  |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   |                               |                                  |                                   |                                |                                   |  |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                       | 1,802                         | 8,402                            | (10,204)                          |                                |                                   |  |
| Use of the Capital Receipts Reserve to finance new capital expenditure   |                               |                                  | 2,661                             |                                |                                   | (2,661)                                |

| 2019/20 continued   | Usable Reserves               |                                  |                                   |                                |                                   | Movement in Unusable Reserves<br>£000s |
|---|-------------------------------|----------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--|
|   | General Fund Balance<br>£000s | Housing Revenue Account<br>£000s | Capital Receipts Reserve<br>£000s | Major Repairs Reserve<br>£000s | Capital Grants Unapplied<br>£000s |  |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.   | (993)                         |                                  | 993                               |                                |                                   |  |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash  |                               |                                  | (83)                              |                                |                                   | 83                                     |
| <b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>   |                               |                                  |                                   |                                |                                   |  |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  |                               | 27                               |                                   |                                |                                   | (27)                                   |
| <b>Adjustment primarily involving the Major Repairs Reserve:</b>  |                               |                                  |                                   |                                |                                   |  |
| Reversal of Major Repairs Allowance credited to the HRA   |                               | 10,624                           |                                   | (10,624)                       |                                   |  |
| Use of the Major Repairs Reserve to finance new capital expenditure   |                               |                                  |                                   | 10,624                         |                                   | (10,624)                               |
| <b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>   |                               |                                  |                                   |                                |                                   |  |
| 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                           |                               | 46                               |                                   |                                |                                   | (46)                                   |
| <b>Adjustments primarily involving the Pensions Reserve:</b>  |                               |                                  |                                   |                                |                                   |  |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement   | (5,059)                       | (903)                            |                                   |                                |                                   | 5,962                                  |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | 3,190                         | 2,088                            |                                   |                                |                                   | (5,278)                                |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>  |                               |                                  |                                   |                                |                                   |  |
| Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements         | (2,952)                       |                                  |                                   |                                |                                   | 2,952                                  |
| <b>Adjustment primarily involving the Accumulated Absences Account:</b>   |                               |                                  |                                   |                                |                                   |  |
| 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 | 42                            | 13                               |                                   |                                |                                   | (55)                                   |
| <b>Total Adjustments</b>  | <b>(3,288)</b>                | <b>5,259</b>                     | <b>(6,634)</b>                    | <b>-</b>                       | <b>(891)</b>                      | <b>5,554</b>                           |

## Adjustments made between accounting basis and funding basis under regulations

| 2018/19  | Usable Reserves               |                                  |                                   |                                |                                   | Movement in Unusable Reserves<br>£000s |
|--|-------------------------------|----------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--|
|  | General Fund Balance<br>£000s | Housing Revenue Account<br>£000s | Capital Receipts Reserve<br>£000s | Major Repairs Reserve<br>£000s | Capital Grants Unapplied<br>£000s |  |
| <b>Adjustments primarily involving the Capital Adjustment Account</b>  |                               |                                  |                                   |                                |                                   |  |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>  |                               |                                  |                                   |                                |                                   |  |
| Charges for depreciation and impairment of non-current assets  | (1,759)                       | (16,820)                         |                                   |                                |                                   | 18,579                                 |
| Revaluation losses on Property Plant and Equipment   | (881)                         | (2,533)                          |                                   |                                |                                   | 3,414                                  |
| 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 | (183)                         | (7,835)                          |                                   |                                |                                   | 8,018                                  |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>   |                               |                                  |                                   |                                |                                   |  |
| 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)                                |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>   |                               |                                  |                                   |                                |                                   |  |
| 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)                                  |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   |                               |                                  |                                   |                                |                                   |  |
| 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<br>£000s |
|---|-------------------------------|----------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--|
|   | General Fund Balance<br>£000s | Housing Revenue Account<br>£000s | Capital Receipts Reserve<br>£000s | Major Repairs Reserve<br>£000s | Capital Grants Unapplied<br>£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                                      |
| <b>Adjustment primarily involving the Major Repairs Reserve:</b>  |                               |                                  |                                   |                                |                                   |  |
| 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)                               |
| <b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>   |                               |                                  |                                   |                                |                                   |  |
| 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)                                    |
| <b>Adjustments primarily involving the Pensions Reserve:</b>  |                               |                                  |                                   |                                |                                   |  |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement   | (5,269)                       | (1,095)                          |                                   |                                |                                   | 6,364                                  |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | 1,893                         | 2,351                            |                                   |                                |                                   | (4,244)                                |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>  |                               |                                  |                                   |                                |                                   |  |
| 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                                  |
| <b>Adjustment primarily involving the Accumulated Absences Account:</b>   |                               |                                  |                                   |                                |                                   |  |
| 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)                                    |
| <b>Total Adjustments</b>  | <b>(12,633)</b>               | <b>(16,100)</b>                  | <b>2,581</b>                      | <b>-</b>                       | <b>648</b>                        | <b>(25,504)</b>                        |

## 8. OTHER OPERATING EXPENDITURE

|  | 2019/20        | 2018/19      |
|--|----------------|--------------|
|  | £000s          | £000s        |
| Payments to the Government Housing Capital Receipts Pool | 993            | 4,485        |
| (Gains)/ Losses on the disposal of Non-Current Assets    | (5,384)        | 2,440        |
| <b>Total</b>   | <b>(4,391)</b> | <b>6,925</b> |

## 9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

|   | 2019/20      | 2018/19      |
|---|--------------|--------------|
|   | £000s        | £000s        |
| Interest payable and similar charges  | 7,076        | 7,033        |
| Net interest on the defined pension liability and pension administration costs              | 1,882        | 2,366        |
| Interest receivable and similar income  | (388)        | (577)        |
| Income and expenditure in relation to investment properties and changes in their fair value | (72)         | (10)         |
| Other investment income   | (105)        | (100)        |
| <b>Total</b>  | <b>8,393</b> | <b>8,712</b> |

## 10. TAXATION AND NON-SPECIFIC GRANT INCOME

|                                  | 2019/20       | 2018/19       |
|----------------------------------|---------------|---------------|
|                                  | £000s         | £000s         |
| Council Tax income               | 7,657         | 7,377         |
| Retained Business Rates          | 2,836         | 3,948         |
| Revenue Support Grant/Other      | -             | 178           |
| Non-ringfenced Government grants | 2,007         | 1,773         |
| Capital grants and contributions | 30            | 139           |
| <b>Total</b>                     | <b>12,530</b> | <b>13,415</b> |

## 11. PROPERTY, PLANT AND EQUIPMENT

Movements in 2019/20

| 2019/20   | Property, Plant and Equipment |                          |                               |                        |                  |                |                           |                                     |
|---|-------------------------------|--------------------------|-------------------------------|------------------------|------------------|----------------|---------------------------|-------------------------------------|
|   | Council Dwellings             | Other Land and Buildings | Vehicles, Plant and Equipment | Infra-structure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|   | £000s                         | £000s                    | £000s                         | £000s                  | £000s            | £000s          | £000s                     | £000s                               |
| <b>Cost or Valuation at 1 April 2019</b>  | <b>720,924</b>                | <b>130,898</b>           | <b>7,317</b>                  | <b>10,025</b>          | <b>1,142</b>     | <b>1,654</b>   | <b>11,622</b>             | <b>883,582</b>                      |
| Additions   | 13,824                        | 2,014                    | 2,380                         | 64                     | 25               | -              | 7,990                     | 26,297                              |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve                            | 6,968                         | 4,833                    | -                             | -                      | -                | (242)          | 18                        | 11,577                              |
| Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services | (8,306)                       | 161                      | -                             | -                      | -                | -              | -                         | (8,145)                             |
| Derecognition - disposals   | -                             | -                        | (2,503)                       | -                      | -                | -              | -                         | (2,503)                             |
| Derecognition - other   | (3,333)                       | -                        | -                             | -                      | -                | -              | -                         | (3,333)                             |
| Assets reclassified (to)/from Held for Sale   | (666)                         | (3,381)                  | -                             | -                      | -                | (174)          | 3,555                     | (666)                               |
| <b>Cost or Valuation at 31 March 2020</b>   | <b>729,411</b>                | <b>134,525</b>           | <b>7,194</b>                  | <b>10,089</b>          | <b>1,167</b>     | <b>1,238</b>   | <b>23,185</b>             | <b>906,809</b>                      |
| <b>Accumulated Depreciation and Impairment at 1 April 2019</b>                                      | -                             | <b>(3,021)</b>           | <b>(5,945)</b>                | <b>(2,806)</b>         | <b>(9)</b>       | <b>(12)</b>    | -                         | <b>(11,793)</b>                     |
| Depreciation charge   | (10,358)                      | (1,331)                  | (278)                         | (345)                  | (9)              | (11)           | -                         | (12,332)                            |
| Depreciation and impairment written out to the Revaluation Reserve                                  | (9,859)                       | 789                      | 16                            | -                      | -                | -              | -                         | (9,054)                             |
| Depreciation and impairment written out to the Surplus/(Deficit) on the Provision of Services       | 6,539                         | 49                       | (97)                          | -                      | -                | -              | -                         | 6,491                               |
| Derecognition - disposals   | -                             | (1)                      | 2,503                         | -                      | -                | 1              | -                         | 2,503                               |
| <b>Accumulated Depreciation and Impairment at 31 March 2020</b>                                     | <b>(13,678)</b>               | <b>(3,515)</b>           | <b>(3,801)</b>                | <b>(3,151)</b>         | <b>(18)</b>      | <b>(22)</b>    | -                         | <b>(24,185)</b>                     |
| <b>Net Book Value</b>   |                               |                          |                               |                        |                  |                |                           |                                     |
| At 31 March 2020  | 715,733                       | 131,010                  | 3,393                         | 6,938                  | 1,149            | 1,216          | 23,185                    | 882,624                             |
| At 31 March 2019  | 720,924                       | 127,877                  | 1,372                         | 7,219                  | 1,133            | 1,643          | 11,622                    | 871,789                             |

## Comparative Movements 2018/19

| <b>2018/19</b>  | <b>Property, Plant and Equipment</b> |                                   |  |                               |                         |                       |                                  |  |
|---|--------------------------------------|-----------------------------------|--|-------------------------------|-------------------------|-----------------------|----------------------------------|--|
|   | <b>Council Dwellings</b>             | <b>Other Land &amp; Buildings</b> | <b>Vehicles, Plant &amp; Equipment</b> | <b>Infra-structure Assets</b> | <b>Community Assets</b> | <b>Surplus Assets</b> | <b>Assets Under Construction</b> | <b>Total Property, Plant &amp; Equipment</b> |
|   | £000s                                | £000s                             | £000s                                  | £000s                         | £000s                   | £000s                 | £000s                            | £000s  |
| <b>Cost or Valuation at 1 April 2018</b>  | <b>725,374</b>                       | <b>129,155</b>                    | <b>6,995</b>                           | <b>9,389</b>                  | <b>948</b>              | <b>5,822</b>          | <b>4,851</b>                     | <b>882,534</b>                               |
| Additions   | 16,899                               | 1,610                             | 653                                    | 717                           | 113                     | 2                     | 6,771                            | <b>26,765</b>                                |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve                            | 6,696                                | 6,252                             | -                                      | -                             | -                       | 210                   | -                                | <b>13,158</b>                                |
| Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services | (24,768)                             | (5,909)                           | -                                      | -                             | -                       | (45)                  | -                                | <b>(30,722)</b>                              |
| Derecognition - disposals   | (1,738)                              | (209)                             | (331)                                  | -                             | -                       | (4,335)               | -                                | <b>(6,613)</b>                               |
| Other movements in cost or valuation  | (1,539)                              | -                                 | -                                      | (81)                          | 81                      | -                     | -                                | <b>(1,539)</b>                               |
| <b>Cost or Valuation at 31 March 2019</b>   | <b>720,924</b>                       | <b>130,898</b>                    | <b>7,317</b>                           | <b>10,025</b>                 | <b>1,142</b>            | <b>1,654</b>          | <b>11,622</b>                    | <b>883,583</b>                               |
| <b>Accumulated Depreciation and Impairment at 1 April 2018</b>                                      | -                                    | <b>(3,334)</b>                    | <b>(5,666)</b>                         | <b>(2,495)</b>                | <b>(2)</b>              | <b>(5)</b>            | -                                | <b>(11,502)</b>                              |
| Depreciation Charge   | (10,123)                             | (1,284)                           | (279)                                  | (311)                         | (7)                     | (11)                  | -                                | <b>(12,015)</b>                              |
| Depreciation written out to the Revaluation Reserve   | 5,305                                | 1,563                             | -                                      | -                             | -                       | 7                     | -                                | <b>6,876</b>                                 |
| Depreciation written out to the Surplus/(Deficit) on the Provision of Services                      | 4,818                                | 34                                | -                                      | -                             | -                       | (3)                   | -                                | <b>4,849</b>                                 |
| <b>Accumulated Depreciation and Impairment at 31 March 2019</b>                                     | -                                    | <b>(3,021)</b>                    | <b>(5,945)</b>                         | <b>(2,806)</b>                | <b>(9)</b>              | <b>(12)</b>           | -                                | <b>(11,793)</b>                              |
| <b>Net Book Value</b>   |                                      |                                   |  |                               |                         |                       |                                  |  |
| At 31 March 2019  | 720,924                              | 127,877                           | 1,372                                  | 7,219                         | 1,133                   | 1,643                 | 11,622                           | <b>871,790</b>                               |
| At 31 March 2018  | 725,374                              | 125,821                           | 1,329                                  | 6,894                         | 946                     | 5,817                 | 4,851                            | <b>871,032</b>                               |

## 11.1 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 56 years.
- Vehicles, Plant, Furniture and Equipment – up to 15 years
- Infrastructure – 10- 40 years

## 11.2 Capital Commitments

As at 31 March 2020 the Council had entered into a number of contracts for enhancements to Property, Plant and Equipment and other assets in 2020/21 and future years, at a budgeted cost of £8,015,000. Similar commitments at 31 March 2019 totalled £10,520,000. The major commitments as at 31 March 2020 were:

| Scheme   | Future<br>Commitment<br>£000s |
|--|-------------------------------|
| Enterprise Zone                                | 7,131                         |
| Housing  | 391                           |
| Prentice Place                                 | 354                           |
| Commercial Property and<br>Community Buildings | 83                            |
| Computer Software                              | 56                            |
| Total  | 8,015                         |

## 11.3 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 Historic cost as a proxy for current values

Other Land and Buildings – All assets are subject to a 5 year rolling review over the financial years 2016/17 to 2019/20. Major assets are valued every year.

Surplus Assets – Are valued at fair value

Council Dwellings - Housing Beacons were valued by Wilks Head and Eve as at 31 December 2019 as part of the valuation process and reviewed as at 31 March 2020. The number of dwellings pending disposal 31 March 2020 was 9, 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".

| <b>Net Book Values</b>      | <b>Council Dwellings</b><br>£000s | <b>Other Land and Buildings</b><br>£000s | <b>Vehicles, Plant, Furniture and Equipment</b><br>£000s | <b>Surplus Assets</b><br>£000s | <b>Total</b><br>£000s |
|-----------------------------|-----------------------------------|--|--|--------------------------------|-----------------------|
| Carried at historical cost  | -                                 | -  | 3,392  | -                              | 3,392                 |
| Valued at fair value as at: |                                   |  |  |                                |                       |
| 31 March 2020               | 715,733                           | 134,390                                  |  | 1,392                          | 851,516               |
| 31 March 2019               | 720,924                           | 127,877                                  | 1,372  | 1,643                          | 851,815               |
| 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               |

## 12. 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.

| <b>Carrying Value of Heritage Assets Held by the Council</b>                                | <b>Museum Artefacts</b> | <b>Community Heritage Assets</b> | <b>Art Collection</b> | <b>Total</b> |
|---|-------------------------|----------------------------------|-----------------------|--------------|
|   | £000s                   | £000s                            | £000s                 | £000s        |
| Cost or valuation:  |                         |                                  |                       |              |
| as at 1 April 2018  | 612                     | 153                              | 857                   | 1,622        |
| Additions   | -                       | -                                |                       | -            |
| Disposals   | -                       | -                                | -                     | -            |
| Revaluations  | -                       |                                  | -                     |              |
| Impairment Losses/(reversals) recognised in the Revaluation Reserve                         | -                       | -                                | 117                   | 117          |
| Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services | -                       | -                                | -                     | -            |
| Depreciation  | -                       | (1)                              | -                     | (1)          |
| as at 31 March 2019   | 612                     | 152                              | 974                   | 1,738        |
| Cost or valuation:  |                         |                                  |                       |              |
| as at 1 April 2019  | 612                     | 152                              | 974                   | 1,738        |
| Additions   | -                       | -                                | -                     | -            |
| Disposals   | -                       | -                                | -                     | -            |
| Revaluations  | -                       | (15)                             | 17                    | 2            |
| Depreciation  | -                       | (2)                              | -                     | (2)          |
| <b>as at 31 March 2020</b>  | <b>612</b>              | <b>135</b>                       | <b>991</b>            | <b>1,738</b> |

### 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. The valuation of any donated 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 2019/20.

### Fine arts including sculpture, civic gifts and regalia

In Harlow there are various works of art on housing estates and the Council has its own fine art collection including three paintings listed as civic gifts. The assets are carried on the Balance Sheet at an insurance value assessed by Pall Mall Art Advisors in February 2016. The value is reviewed every five years. The assets are deemed to have an indeterminate life and the Council 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. 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

### Archaeological Sites

The Council owns a number of archaeological and historic sites within the town. 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 the Council has policies to acquire, preserve, manage and dispose of any such assets.

## 13. 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<br>March 2020<br>£000s | as at 31<br>March 2019<br>£000s | as at 31<br>March 2020<br>£000s | as at 31<br>March 2019<br>£000s |
| Amortised Cost   | -                               | -                               | 3,975                           | 4,136                           |
| Fair Value through Other Comprehensive Income -<br>designated equity instruments | 3,906                           | 3,961                           | -                               | -                               |
| <b>Total Financial Assets</b>  | <b>3,906</b>                    | <b>3,961</b>                    | <b>3,975</b>                    | <b>4,136</b>                    |

|                                   | Current                         |                                 |                                 |                                 |
|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                   | Investments etc                 |                                 | Debtors                         |                                 |
|                                   | as at 31<br>March 2020<br>£000s | as at 31<br>March 2019<br>£000s | as at 31<br>March 2020<br>£000s | as at 31<br>March 2019<br>£000s |
| Fair Value through Profit or Loss | 13,626                          | 9,710                           | -                               | -                               |
| Amortised Cost                    | 8,875                           | 19,315                          | 2,441                           | 4,985                           |
| <b>Total Financial Assets</b>     | <b>22,501</b>                   | <b>29,025</b>                   | <b>2,441</b>                    | <b>4,985</b>                    |

|  | Total                           |                                 |
|--|---------------------------------|---------------------------------|
|  | as at 31<br>March 2020<br>£000s | as at 31<br>March 2019<br>£000s |
| Fair Value through Profit or Loss  | 13,626                          | 9,710                           |
| Amortised Cost   | 15,291                          | 28,436                          |
| Fair Value through Other Comprehensive Income -<br>designated equity instruments | 3,906                           | 3,961                           |
| <b>Total Financial Assets</b>  | <b>32,823</b>                   | <b>42,107</b>                   |

## Financial Liabilities

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

|                                    | Non-Current                  |                              |                              |                              |
|------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                    | Borrowings etc.              |                              | Creditors                    |                              |
|                                    | as at<br>31 Mar 2020<br>£000 | as at<br>31 Mar 2019<br>£000 | as at<br>31 Mar 2020<br>£000 | as at<br>31 Mar 2019<br>£000 |
| Amortised Cost                     | 213,551                      | 211,837                      | 363                          | 224                          |
| <b>Total Financial Liabilities</b> | <b>213,551</b>               | <b>211,837</b>               | <b>363</b>                   | <b>224</b>                   |

|                                    | Current                      |                              |                              |                              |
|------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                    | Borrowings etc.              |                              | Creditors                    |                              |
|                                    | as at<br>31 Mar 2020<br>£000 | as at<br>31 Mar 2019<br>£000 | as at<br>31 Mar 2020<br>£000 | as at<br>31 Mar 2019<br>£000 |
| Amortised Cost                     | 81                           | 81                           | 8,055                        | 9,138                        |
| <b>Total Financial Liabilities</b> | <b>81</b>                    | <b>81</b>                    | <b>8,055</b>                 | <b>9,138</b>                 |

|                                    | Total                        |                              |
|------------------------------------|------------------------------|------------------------------|
|                                    | as at<br>31 Mar 2020<br>£000 | as at<br>31 Mar 2019<br>£000 |
| Amortised Cost                     | 222,050                      | 221,280                      |
| <b>Total Financial Liabilities</b> | <b>222,050</b>               | <b>221,280</b>               |

## 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 loss on the instrument of £71,000 in 2019/20 (a gain of £30,000 in 2018/19) 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 gain on the instrument of £15,000 in 2019/20 (a loss of £24,000 in 2018/19) has been credited to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

|                                       | as at 31<br>March 2020<br>£000s | as at 31<br>March 2019<br>£000s |
|---------------------------------------|---------------------------------|---------------------------------|
| <b>Non-current assets (Long Term)</b> |                                 |                                 |
| CCLA Property Fund                    | 1,915                           | 1,985                           |
| Royal London Cash Plus Fund           | 1,991                           | 1,976                           |
| <b>Total</b>                          | <b>3,906</b>                    | <b>3,961</b>                    |

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<br>Provision of Services |                               | Other Comprehensive<br>Income and Expenditure |                               |
|---|--|-------------------------------|---|-------------------------------|
|   | as at<br>31 Mar 2020<br>£000s                      | as at<br>31 Mar 2019<br>£000s | as at<br>31 Mar 2020<br>£000s                 | as at<br>31 Mar 2019<br>£000s |
| <b>Net gains / losses on:</b>   |  |                               |   |                               |
| Investments in equity instruments designated at fair value through other comprehensive income | -  | -                             | (56)  | (7)                           |
| <b>Total net (gains) / losses</b>   | <b>-</b>   | <b>-</b>                      | <b>(56)</b>                                   | <b>(7)</b>                    |
| <b>Interest revenue:</b>  |  |                               |   |                               |
| Financial assets measured at amortised cost   | (388)  | (577)                         | (105)   | (100)                         |
| <b>Total interest revenue</b>   | <b>(388)</b>                                       | <b>(577)</b>                  | <b>(105)</b>                                  | <b>(100)</b>                  |
| <b>Interest expense</b>   | <b>7,076</b>                                       | <b>7,033</b>                  | <b>-</b>                                      | <b>-</b>                      |

### 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 (PWLB) 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 2020;
- no early repayment or impairment is recognised.

Fair values are as follows:

| Fair Values of Financial Assets and Financial Liabilities | as at<br>31 March 2020   |                     | as at<br>31 March 2019   |                     |
|---|--------------------------|---------------------|--------------------------|---------------------|
|   | Carrying Amount<br>£000s | Fair Value<br>£000s | Carrying Amount<br>£000s | Fair Value<br>£000s |
| <b>Financial Assets</b>                                   |                          |                     |                          |                     |
| Investment Balances                                       | 26,135                   | 26,041              | 31,762                   | 31,723              |
| Loans for Service Purposes                                | 3,975                    | 3,975               | 4,136                    | 4,136               |
| Trade Receivables   | 2,441                    | 2,441               | 4,985                    | 4,985               |
| <b>Total Assets</b>                                       | <b>32,551</b>            | <b>32,457</b>       | <b>40,882</b>            | <b>40,844</b>       |
| <b>Financial Liabilities</b>                              |                          |                     |                          |                     |
| PWLB Borrowing  | 211,837                  | 249,298             | 211,837                  | 246,859             |
| Finance Leases  | 1,714                    | 1,714               |                          |                     |
| Trade payables  | 8,055                    | 8,055               | 9,138                    | 9,138               |
| <b>Total Liabilities</b>                                  | <b>221,606</b>           | <b>259,067</b>      | <b>220,975</b>           | <b>255,997</b>      |

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 £3.402 million. Trade Receivables include long-term leaseholder debtors of £0.173 million.

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

There were no transfers or changes during the year.

## 14. DEBTORS

The table below shows the amount that was owed to the Council at 31 March 2020 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

|                   | <b>Balance as at<br/>31 March 2020</b> | <b>Balance as at<br/>31 March 2019</b> |
|-------------------|--|--|
|                   | £000s                                  | £000s                                  |
| Trade receivables | 2,441                                  | 4,985                                  |
| Business rates    | 3,853                                  | 678                                    |
| Housing debtors   | 3,876                                  | 2,466                                  |
| Council tax       | 2,042                                  | 1,755                                  |
| Prepayments       | 96                                     | 236                                    |
| Related parties   | 3,104                                  | 167                                    |
| Other receivables | 36                                     | 29                                     |
| <b>Total</b>      | <b>15,448</b>                          | <b>10,316</b>                          |

## 15. CASH AND CASH EQUIVALENTS

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

|   | <b>Balance as at<br/>31 March 2020</b> | <b>Balance as at<br/>31 March 2019</b> |
|---|--|--|
|   | £000s                                  | £000s                                  |
| Cash held by the Council                        | 14                                     | 14                                     |
| Bank current accounts                           | 377                                    | 1,273                                  |
| Short-term deposits with financial institutions | 22,110                                 | 20,214                                 |
| <b>Total</b>                                    | <b>22,501</b>                          | <b>21,501</b>                          |

## 16. CREDITORS

The table below shows the amount that the Council owed as at 31 March 2020 to third parties, together with amounts received by the Council in advance of supply of goods or services.

|                     | <b>Balance as at<br/>31 March 2020</b> | <b>Balance as at<br/>31 March 2019</b> |
|---------------------|--|--|
|                     | £000s                                  | £000s                                  |
| Trade payables      | 8,055                                  | 9,138                                  |
| Receipts in advance | 3,417                                  | 1,807                                  |
| Related parties     | 766                                    | 3,771                                  |
| Other payables      | 222                                    | 1,806                                  |
| <b>Total</b>        | <b>12,460</b>                          | <b>16,523</b>                          |

## 17. 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 2019/20.

| Earmarked Reserve   | Balance as at 31 March 2018<br>£000s | 2018/19                |                       | Balance as at 31 March 2019<br>£000s | 2019/20                |                       | Balance as at 31 March 2020<br>£000s |
|---|--------------------------------------|------------------------|-----------------------|--------------------------------------|------------------------|-----------------------|--------------------------------------|
|   |                                      | Transfers Out<br>£000s | Transfers In<br>£000s |                                      | Transfers Out<br>£000s | Transfers In<br>£000s |                                      |
| <b>GENERAL FUND RESERVES</b>                                    |                                      |                        |                       |                                      |                        |                       |                                      |
| Perpetuity reserves   | 947                                  | (4)                    | 8                     | 951                                  | -                      | 9                     | 960                                  |
| Debt financing reserve  | 2,226                                | -                      | 238                   | 2,464                                | -                      | 238                   | 2,702                                |
| Discretionary services fund                                     | 1,550                                | (889)                  | 783                   | 1,444                                | (566)                  | 798                   | 1,676                                |
| Enterprise Zone disregard reserve                               | -                                    | -                      | -                     | -                                    | -                      | 1,176                 | 1,176                                |
| Environment Reserve   | 120                                  | -                      | 3                     | 123                                  | (15)                   | 1                     | 109                                  |
| Environmental urgent works and improvement reserve              | -                                    | (583)                  | 2,302                 | 1,719                                | (102)                  | 16                    | 1,633                                |
| Housing benefits subsidy reserve                                | 693                                  | -                      | -                     | 693                                  | -                      | -                     | 693                                  |
| Insurance claims  | 621                                  | (16)                   | 50                    | 655                                  | (9)                    | 52                    | 698                                  |
| Insurance fund  | 1,414                                | (23)                   | 126                   | 1,517                                | (11)                   | 128                   | 1,634                                |
| Invest to save reserve  | 227                                  | (2)                    | 2                     | 227                                  | -                      | 2                     | 229                                  |
| Partnership fund  | 200                                  | -                      | -                     | 200                                  | -                      | -                     | 200                                  |
| Planning reserve  | 482                                  | (125)                  | -                     | 357                                  | (141)                  | -                     | 216                                  |
| Regeneration and enterprise reserve                             | 1,400                                | (214)                  | 3,016                 | 4,202                                | (68)                   | -                     | 4,134                                |
| Regeneration reserve  | 936                                  | (80)                   | -                     | 856                                  | (297)                  | -                     | 559                                  |
| Residual land transfer  | 131                                  | -                      | -                     | 131                                  | -                      | -                     | 131                                  |
| Revenues and benefits service structural process review reserve | 87                                   | -                      | 136                   | 223                                  | -                      | -                     | 223                                  |
| Risk management reserve   | 237                                  | (6)                    | 40                    | 271                                  | -                      | 40                    | 311                                  |
| Severance reserve   | 2,120                                | -                      | -                     | 2,120                                | -                      | -                     | 2,120                                |
| Splash parks reserve  | -                                    | (8)                    | 750                   | 742                                  | (22)                   | -                     | 720                                  |
| Standards Committee contingency                                 | 50                                   | -                      | -                     | 50                                   | -                      | -                     | 50                                   |
| Street lighting reserve   | 43                                   | (42)                   | -                     | 1                                    | (1)                    | -                     | -                                    |
| Bush Fair capital improvement works                             | -                                    | -                      | -                     | -                                    | -                      | 42                    | 42                                   |
| The Harlow and Gilston Garden Town funding reserve              | 160                                  | (3)                    | 500                   | 657                                  | (160)                  | -                     | 497                                  |
| Volunteering support reserve                                    | 40                                   | (35)                   | -                     | 5                                    | (5)                    | -                     | -                                    |
| <b>Total General Fund</b>                                       | <b>13,685</b>                        | <b>(2,029)</b>         | <b>7,953</b>          | <b>19,609</b>                        | <b>(1,398)</b>         | <b>2,502</b>          | <b>20,713</b>                        |
| <b>HOUSING REVENUE ACCOUNT RESERVES</b>                         |                                      |                        |                       |                                      |                        |                       |                                      |
| Perpetuity reserves   | 1,598                                | (395)                  | 251                   | 1,454                                | (397)                  | 341                   | 1,398                                |
| Housing insurance property reserve                              | 20                                   | -                      | 10                    | 30                                   | -                      | 10                    | 40                                   |
| HRA OJEU contract 2015  | 58                                   | (58)                   | -                     | -                                    | -                      | -                     | -                                    |
| Insurance claims  | 593                                  | (52)                   | 50                    | 590                                  | (29)                   | 55                    | 616                                  |
| Insurance fund  | 1,901                                | (103)                  | 227                   | 2,026                                | (102)                  | 231                   | 2,155                                |
| Risk management reserve   | 337                                  | (9)                    | 60                    | 388                                  | -                      | 60                    | 448                                  |
| <b>Total Housing Revenue Account</b>                            | <b>4,506</b>                         | <b>(617)</b>           | <b>599</b>            | <b>4,488</b>                         | <b>(528)</b>           | <b>697</b>            | <b>4,657</b>                         |
| <b>EARMARKED GRANTS RESERVES</b>                                |                                      |                        |                       |                                      |                        |                       |                                      |
| General Fund  | 3,548                                | (156)                  | 2,681                 | 6,073                                | (276)                  | 2,963                 | 8,760                                |
| Housing Revenue Account   | -                                    | -                      | 15                    | 15                                   | -                      | -                     | 15                                   |
| <b>Total Earmarked Grants Reserves</b>                          | <b>3,548</b>                         | <b>(156)</b>           | <b>2,696</b>          | <b>6,088</b>                         | <b>(276)</b>           | <b>2,963</b>          | <b>8,775</b>                         |
| <b>Total Earmarked Reserves</b>                                 | <b>21,739</b>                        | <b>(2,802)</b>         | <b>11,249</b>         | <b>30,185</b>                        | <b>(2,202)</b>         | <b>6,162</b>          | <b>34,145</b>                        |

## 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.                                |
| Enterprise Zone disregard reserve                               | A reserve to recognise the volatility between years of business rates from the Enterprise Zone retained by the Council under the business rates retention scheme.                   |
| 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 agency.   |
| 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 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.  |
| Bush Fair capital improvement works                | To fund capital works in the area.   |
| 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 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.                      |

## 18. UNUSABLE RESERVES

|   | Balance as at<br>31 March 2020 | Balance as at<br>31 March 2019<br>Restated |
|---|--------------------------------|--|
|   | £000s                          | £000s                                      |
| <b>Revaluation Balances</b>               |                                |  |
| Revaluation Reserve                       | 434,258                        | 439,322                                    |
| Financial Instruments Revaluation Reserve | (94)                           | (39)                                       |
| <b>Adjustment Accounts</b>                |                                |  |
| Capital Adjustment Account                | 205,442                        | 199,794                                    |
| Financial Instruments Adjustment Account  | (2)                            | (1)  |
| Deferred Capital Receipts                 | 734                            | 728  |
| Pensions Reserve                          | (70,039)                       | (78,182)                                   |
| Collection Fund Adjustment Account        | (3,294)                        | (342)                                      |
| Accumulated Absences Account              | -                              | (55)                                       |
| <b>Total Unusable Reserves</b>            | <b>567,005</b>                 | <b>561,225</b>                             |

### 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  | 2019/20  |                | 2018/19 |                |
|--|----------|----------------|---------|----------------|
|  | £000s    | £000s          | £000s   | £000s          |
| <b>Balance at 1 April</b>  |          | <b>439,322</b> |         | <b>432,662</b> |
| Upward revaluation of assets   | 35,497   |                | 19,566  |                |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (32,950) |                | (5,076) |                |
|  |          | 2,547          |         | 14,490         |
| Difference between fair value depreciation and historical cost depreciation  | (7,584)  |                | (7,280) |                |
| Accumulated gains on assets sold or scrapped   | (27)     |                | (550)   |                |
| Amount written off to the Capital Adjustment Account   |          | (7,611)        |         | (7,830)        |
| <b>Balance as at 31 March</b>  |          | <b>434,258</b> |         | <b>439,322</b> |

### Capital Adjustment Account

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

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

| Capital Adjustment Account   | 2019/20  |                | 2018/19  |                |
|--|----------|----------------|----------|----------------|
|  | £000s    | £000s          | £000s    | £000s          |
| <b>Balance at 1 April</b>  |          | <b>199,794</b> |          | <b>213,358</b> |
| 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  | (12,630) |                | (29,499) |                |
| - Revaluation losses on Property, Plant and Equipment  | (1,275)  |                | (3,794)  |                |
| - Amortisation of intangible assets  | (265)    |                | (316)    |                |
| - Revenue expenditure funded from capital under statute  | (452)    |                | (668)    |                |
| - 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 | (4,872)  |                | (8,587)  |                |
|  |          | (19,494)       |          | (42,864)       |
| Adjusting amounts written out of the Revaluation Reserve   |          | 7,583          |          | 8,767          |
| Net written out amount of the cost of non-current assets consumed in the year  |          | (11,911)       |          | (34,097)       |
| Capital financing applied in the year:   |          |                |          |                |
| - Use of the Capital Receipts Reserve to finance new capital expenditure   | 2,661    |                | 4,243    |                |
| - Use of the Major Repairs Reserve to finance new capital expenditure  | 10,624   |                | 10,361   |                |
| - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | 2,274    |                | 875      |                |
| - Application of grants to capital financing from the Capital Grants Unapplied Account   | 737      |                | 576      |                |
| - Statutory provision for the financing of capital investment charged against the General Fund and HRA balances  | 459      |                | 250      |                |
| - Capital expenditure charged against the General Fund and HRA balances  | 804      |                | 4,218    |                |
|  |          | 17,559         |          | 20,523         |
| Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement                           |          | -              |          | 10             |
| <b>Balance as at 31 March</b>  |          | <b>205,442</b> |          | <b>199,794</b> |

## 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.

## 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.

| <b>Pensions Reserve</b>  | <b>2019/20</b><br>£000s | <b>2018/19</b><br>£000s |
|--|-------------------------|-------------------------|
| <b>Balance at 1 April</b>  | <b>(78,182)</b>         | <b>(92,154)</b>         |
| Actuarial gains/(losses) on pensions assets and liabilities  | <b>8,827</b>            | <b>16,092</b>           |
| 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 | <b>(5,962)</b>          | <b>(7,416)</b>          |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | <b>5,278</b>            | <b>5,296</b>            |
| <b>Balance as at 31 March</b>  | <b>(70,039)</b>         | <b>(78,182)</b>         |

## 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.

| <b>Collection Fund Adjustment Account</b>  | <b>2019/20</b><br>£000s | <b>2018/19</b><br>£000s |
|--|-------------------------|-------------------------|
| <b>Balance AS at 1 April</b>   | <b>(342)</b>            | <b>2,229</b>            |
| 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 | <b>(2,952)</b>          | <b>(2,571)</b>          |
| <b>Balance as at 31 March</b>  | <b>(3,294)</b>          | <b>(342)</b>            |

## 19. OPERATING ACTIVITIES

The cash flows for operating activities include the following items.

|   | 2019/20        | 2018/19        |
|---|----------------|----------------|
|   | £000s          | £000s          |
| Interest Received                               | 393            | 577            |
| Interest Paid                                   | (7,075)        | (7,033)        |
| Dividends Received                              | 105            | 100            |
| <b>Net Cash Flows from Operating Activities</b> | <b>(6,578)</b> | <b>(6,356)</b> |

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

|  | 2019/20       | 2018/19       |
|--|---------------|---------------|
|  | £000s         | £000s         |
| Depreciation   | 12,630        | 12,015        |
| Impairment and Downward valuations   | 1,275         | 20,343        |
| Amortisation   | 265           | 315           |
| Increase / Decrease in Creditors   | 764           | 3,886         |
| Increase / Decrease in Debtors   | (2,373)       | (1,331)       |
| Increase / Decrease in Inventories   | (15)          | (7)           |
| Movement in Pension Liability  | 684           | 2,350         |
| Contribution to / (from) Provisions  | -             | 6             |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 5,061         | 8,587         |
| <b>Total</b>   | <b>18,292</b> | <b>46,163</b> |

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

|   | 2019/20      | 2018/19        |
|---|--------------|----------------|
|   | £000s        | £000s          |
| Capital Grants credited to surplus or deficit on the provision of services                        | (3,902)      | (875)          |
| Net adjustment from the sale of short and long term investments                                   | 13,524       | -              |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | (10,528)     | (6,945)        |
| <b>Total</b>  | <b>(906)</b> | <b>(7,820)</b> |

## 20. INVESTING ACTIVITIES

|  | 2019/20<br>£000s | 2018/19<br>£000s |
|--|------------------|------------------|
| Purchase of property, plant and equipment, investment property and intangible assets               | (28,830)         | (26,856)         |
| Purchase of short-term investments   | (6,000)          | (38,500)         |
| Other payments for investing activities  |                  | (2,722)          |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 10,352           | 8,842            |
| Proceeds from short-term investments   |                  | 40,300           |
| Other receipts from investing activities   | 3,052            | 948              |
| <b>Net Cash Flows from Investing Activities</b>  | <b>(21,426)</b>  | <b>(17,988)</b>  |

## 21. FINANCING ACTIVITIES

|   | 2019/20<br>£000s | 2018/19<br>£000s |
|---|------------------|------------------|
| Other payments for financing activities         | (1,318)          | (1,551)          |
| <b>Net Cash Flows from Financing Activities</b> | <b>(1,318)</b>   | <b>(1,551)</b>   |

## 22. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 2020/21 are applicable from the 1 April 2020. 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 2019/20 final accounts, the following relevant changes from the 2020/21 accounting standards that need to be reported relate to:

### **Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures**

The Council has no such interests.

### **Annual Improvements to IFRS Standards 2015–2017 Cycle**

These amendments are in respect of IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs (Capitalisation), none of which apply to the Council.

### **Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement**

These amendments address the accounting when a plan amendment, curtailment or settlement occurs on or after 1 January 2019. Although not anticipated to be material, the impact of the amendments is not known or reasonably estimable.

## 23. MEMBERS' ALLOWANCES

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

|              | <b>2019/20</b><br>£000s | <b>2018/19</b><br>£000s |
|--------------|-------------------------|-------------------------|
| Allowances   | 188                     | 179                     |
| Expenses     | 8                       | 9                       |
| <b>Total</b> | <b>196</b>              | <b>188</b>              |

## 24. OFFICERS' REMUNERATION

The post title of Managing Director was changed to Chief Executive during 2019/20, the post holder remaining the same. Also changed was the title of Head of Finance and Deputy to the Managing Director becoming Head of Finance and Deputy to the Chief Executive. 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 and during 2019/20 the post title was amended to Head of Governance (Monitoring Officer). Also during 2019/20, the Head of Place post was deleted and the fixed term of the Project Director post ended. The Project Director post holder was assimilated into the new post of Head of Environment and Planning which replaced the Head of Place post. There were no compulsory redundancies or compensation payments for loss of office in either 2018/19 or 2019/20.

| <b>Senior Employees</b>                              |   |   |                                  |   |
|--|---|---|----------------------------------|---|
|  | <b>Salary<br/>(Including fees<br/>and<br/>allowances)</b> | <b>Total<br/>Remuneration<br/>excluding<br/>pension<br/>contributions<br/>2019/20</b> | <b>Pension<br/>contributions</b> | <b>Total<br/>Remuneration<br/>including<br/>pension<br/>contributions<br/>2019/20</b> |
| <b>2019/20</b>                                       | <b>£</b>  | <b>£</b>  | <b>£</b>                         | <b>£</b>  |
| Chief Executive                                      | 135,252   | 135,252   | -                                | 135,252   |
| Head of Finance and Deputy to the<br>Chief Executive | 104,312   | 104,312   | 17,003                           | 121,315   |
| Head of Housing                                      | 93,804  | 93,804  | 15,290                           | 109,094   |
| Head of Environment and Planning                     | 95,514  | 95,514  | 15,569                           | 111,083   |
| Head of Place  | 23,174  | 23,174  | -                                | 23,174  |
| Head of Community and Wellbeing                      | 93,804  | 93,804  | 15,290                           | 109,094   |
| Head of Governance (Monitoring<br>Officer)           | 90,801  | 90,801  | 14,787                           | 105,588   |
|  | <b>636,661</b>  | <b>636,661</b>  | <b>77,939</b>                    | <b>714,600</b>  |

| <b>Senior Employees</b>                                |   |   |                                  |   |
|--|---|---|----------------------------------|---|
|  | <b>Salary<br/>(Including fees<br/>and<br/>allowances)</b> | <b>Total<br/>Remuneration<br/>excluding<br/>pension<br/>contributions<br/>2018/19</b> | <b>Pension<br/>contributions</b> | <b>Total<br/>Remuneration<br/>including<br/>pension<br/>contributions<br/>2018/19</b> |
| <b>2018/19</b>   | <b>£</b>  | <b>£</b>  | <b>£</b>                         | <b>£</b>  |
| 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<br>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  |
|  | <b>624,258</b>  | <b>624,258</b>  | <b>78,617</b>                    | <b>702,875</b>  |

The table below shows the number of Council officers whose remuneration exceeds £50,000 grouped into £5,000 bands. Remuneration is the amount paid to or receivable by an employee, and includes gross pay (i.e. before deduction of the employee's 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  | 2019/20<br>Total | 2018/19<br>Total |
| £50,000 – £54,999   | 11               | 9                |
| £55,000 – £59,999   | 8                | 11               |
| £60,000 – £64,999   | 3                | 1                |
| £65,000 – £69,999   | 1                | -                |
| £85,000 – £89,999   | -                | 1                |
| £90,000 – £94,999   | 3                | 2                |
| £95,000 – £99,999   | 1                | 1                |
| £100,000 – £104,999 | 1                | 1                |
| £130,000 – £134,999 | -                | 1                |
| £135,000 – £139,999 | 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<br>including special payments | Number of agreed<br>Departures |               | Total Number of<br>Packages |               | Total Cost of Exit<br>Packages |               |
|--|--------------------------------|---------------|-----------------------------|---------------|--------------------------------|---------------|
|  | 2019/20<br>No                  | 2018/19<br>No | 2019/20<br>No               | 2018/19<br>No | 2019/20<br>£                   | 2018/19<br>£  |
| Up to and including £20,000                          | 3                              | 2             | 3                           | 2             | 13,483                         | 14,457        |
| £20,001-£40,000                                      | 2                              | -             | 2                           | -             | 50,292                         | -             |
| <b>TOTAL</b>   | <b>5</b>                       | <b>2</b>      | <b>5</b>                    | <b>2</b>      | <b>63,775</b>                  | <b>14,457</b> |

## 25. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in 2019/20 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.

|   | 2019/20<br>£000s | 2018/19<br>£000s |
|---|------------------|------------------|
| Fees payable for external audit services carried out by the appointed auditor | 80               | 104              |
| Fees payable for other services carried out by the appointed auditor          | 37               | 20               |
| <b>Total</b>  | <b>117</b>       | <b>124</b>       |

## 26. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

|  | 2019/20<br>£000s | 2018/19<br>£000s |
|--|------------------|------------------|
| <b>Grants Credited to Taxation and Non-specific Grant Income</b>     |                  |                  |
| Revenue Support Grant  | -                | 178              |
| Section 31 Grants  | 1,136            | 949              |
| New Homes Bonus Grant  | 868              | 824              |
| Capital Grants and contributions                                     | 30               | 137              |
| <b>Total</b>   | <b>2,034</b>     | <b>2,088</b>     |
| <b>Grants Credited to Services</b>                                   |                  |                  |
| <b>Department for Work and Pensions (DWP)</b>                        |                  |                  |
| Rent Allowances  | 10,422           | 11,626           |
| Rent Rebates   | 13,900           | 15,906           |
| Housing Benefit Administration                                       | 322              | 362              |
| Verification of Earnings and Pensions                                | 40               | 49               |
| New Burdens Housing Benefit  | 1                | 34               |
| New Burdens  | 7                | 76               |
| Universal Credit New Burdens Funding Payment                         | 73               | 46               |
| Universal Support  | -                | 13               |
| Customer Information System Interest Automation                      | 80               | 2                |
| Other DWP grants   | -                | 5                |
| <b>Ministry of Housing, Communities and Local Government (MHCLG)</b> |                  |                  |
| Disabled Facilities Grants   | 1,628            | 353              |
| Self Build and Custom Housing Building Register                      | 15               | 30               |
| New Burdens Homelessness Reduction                                   | 48               | 42               |
| Flexible Homelessness Support  | 361              | 352              |
| Food waste collection  | -                | 149              |
| New Burdens  | -                | 20               |
| Rough Sleepers Fund  | 231              | 140              |
| Homelessness Prevention  | -                | 42               |
| Local Authority Parks Improvement Funding                            | -                | 14               |
| Controlling Migration Fund   | 124              | 51               |
| National Community Clean Up  | -                | 15               |
| Local Authority EU Exit Preparation                                  | 35               | 17               |
| Localising Council Tax administration                                | 128              | 128              |
| Lister House   | -                | 294              |
| Epping Forest  | -                | 20               |
| External Wall Systems Data Collection                                | 6                | -                |
| Other MHCLG grants   | 21               | 31               |
| <b>Homes England</b>   |                  |                  |
| Growth Area Funding / Programme of Development                       | 3                | 3                |
| <b>Essex County Council</b>  |                  |                  |
| Enterprise Zone  | -                | (14)             |
| Sam's Place  | 68               | 72               |
| Inter Authority Agreement  | 687              | 659              |
| ECC Hardship Fund  | 12               | 10               |
| Tipping Away   | -                | 59               |
| Time Credits   | -                | 63               |
| Active Network Commissioning   | 1                | 16               |
| Fraud and Error Reduction Incentive Scheme                           | 68               | 68               |
| Collection Investment Income   | 59               | 59               |
| <b>Other</b>   |                  |                  |
| Town Park Heritage Lottery Fund                                      | 60               | 104              |
| Other smaller grants   | 14               | 13               |
| <b>Total</b>   | <b>28,414</b>    | <b>30,929</b>    |

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 which could require the money to be returned to the giver. The balances at the year-end are as follows. Disabled Facilities Grant has been reclassified as a grant unapplied in 2019/20.

|  | <b>2019/20</b><br>£000s | <b>2018/19</b><br>£000s |
|--|-------------------------|-------------------------|
| Current Liabilities                          |                         |                         |
| Grants Receipts in Advance - Revenue         |                         |                         |
| ECC Public Health Grant                      | 28                      | 16                      |
| Police and Crime Commissioner for Essex      | 3                       | 21                      |
| Heritage Lottery Fund                        | 51                      | -                       |
| Land Trust                                   | -                       | 3                       |
| Long-term Liabilities                        |                         |                         |
| Grants Receipts in Advance - Capital         |                         |                         |
| Disabled Facilities Grant                    | -                       | 830                     |
| Programme of Development - external partners | 149                     | 169                     |
| Grants Receipts in Advance - Revenue         |                         |                         |
| Programme of Development - external partners | 114                     | 111                     |
| <b>Total</b>                                 | <b>345</b>              | <b>1,150</b>            |

## 27. 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 23 on page 66. 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 2019/20 are summarised on the Council's website at:

[www.harlow.gov.uk/councillor-declarations](http://www.harlow.gov.uk/councillor-declarations).

Harlow Trading Services (Property and Environment) Ltd. (HTS) is a subsidiary company, wholly owned by the Council and subject to its control, which provides a range of environmental and property maintenance services in the district.

Other Public Bodies (subject to common control by Central Government):

Essex County Council – four Council Members were also Members of Essex County Council during the year.

Material transactions which took place with related parties are as follows:

| <b>2019-20</b>                   | <b>Income</b> | <b>Expenditure</b> | <b>Debtors as at<br/>31 Mar 2020</b> | <b>Creditors as at<br/>31 Mar 2020</b> |
|----------------------------------|---------------|--------------------|--------------------------------------|--|
|                                  | £000s         | £000s              | £000s                                | £000s                                  |
| Essex County Council             | (2,015)       | 43                 | 423                                  |  |
| HTS (Property & Environment) Ltd | (1,345)       | 26,010             | 796                                  | (857)                                  |
|                                  | (3,360)       | 26,053             | 1,219                                | (857)                                  |
| <b>2018-19</b>                   | <b>Income</b> | <b>Expenditure</b> | <b>Debtors as at<br/>31 Mar 2019</b> | <b>Creditors as at<br/>31 Mar 2019</b> |
|                                  | £000s         | £000s              | £000s                                | £000s                                  |
| Essex County Council             | (2,336)       | 218                | 610                                  | (1)                                    |
| HTS (Property & Environment) Ltd | (924)         | 23,661             | 702                                  | (1,190)                                |
|                                  | (3,260)       | 23,879             | 1,312                                | (1,191)                                |

## 28. 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.

|   | <b>2019/20</b><br>£000s | <b>2018/19</b><br>£000s |
|---|-------------------------|-------------------------|
| <b>Opening Capital Financing Requirement</b>  | <b>240,728</b>          | <b>233,658</b>          |
| <b>Capital Investment</b>   |                         |                         |
| Property Plant and Equipment  | 26,297                  | 26,765                  |
| Investment Properties   | -                       | 20                      |
| Intangible Assets   | 107                     | 173                     |
| Revenue Expenditure funded from Capital under Statute   | 442                     | 666                     |
| Long Term Debtors   | 10                      | 2                       |
| <b>Total Capital Investment</b>   | <b>26,856</b>           | <b>27,626</b>           |
| <b>Sources of Finance</b>   |                         |                         |
| Capital Receipts  | (2,661)                 | (4,243)                 |
| Major Repairs Reserve   | (10,624)                | (10,362)                |
| Government Grants and Other Contributions   | (3,011)                 | (1,482)                 |
| Direct Revenue Contributions  | (804)                   | (4,219)                 |
| Minimum Revenue Provision (MRP)   | (459)                   | (250)                   |
| <b>Total Sources of Finance</b>   | <b>(17,559)</b>         | <b>(20,556)</b>         |
|   |                         |                         |
| <b>Closing Capital Financing Requirement</b>  | <b>250,025</b>          | <b>240,728</b>          |
| <b>Explanation of Movements in Year</b>   |                         |                         |
| Increase/ (Decrease) in underlying need to borrow<br>(unsupported by Government financial assistance) | 9,297                   | 7,070                   |
| <b>Increase/(decrease) in Capital Financing Requirement</b>   | <b>9,297</b>            | <b>7,070</b>            |

## 29. LEASES

### Council as Lessee

#### FINANCE LEASES

In 2019/20 the Council acquired a number of vehicles under a finance lease. These assets are carried as property, plant and equipment in the balance sheet at the following net amount.

|  | <b>31 March 2020</b><br>£000s |
|--|-------------------------------|
| Vehicles, plant, furniture and equipment | 2,107                         |
|  | <b>2,107</b>                  |

The Council is committed to making minimum payments under this lease comprising settlement of the long-term liability for the interest in the assets acquired and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

|   | <b>31 March 2020</b><br>£000s |
|---|-------------------------------|
| Finance lease liabilities (net present value of minimum lease payments) |                               |
| Current   | 198                           |
| Non-current   | 1,714                         |
| Finance costs payable in future years                                   | 170                           |
| <b>Minimum Lease Payments</b>   | <b>2,082</b>                  |

The minimum lease payments will be payable over the following periods

|   | <b>31 March 2020</b><br>£000s | <b>31 March 2020</b><br>£000s |
|---|-------------------------------|-------------------------------|
|   | Minimum Lease Payments        | Finance Lease Payments        |
| Not later than one year                           | 231                           | 198                           |
| Later than one year and not later than five years | 694                           | 615                           |
| Later than five years                             | 1,157                         | 1,099                         |
|   | <b>2,082</b>                  | <b>1,912</b>                  |

### 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 71 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.

## OPERATING LEASES

The Council leases out property and equipment under operational leases. The future minimum lease payments receivable are:

|   | <b>31 March 2020</b><br>£000s | <b>31 March 2019</b><br>£000s |
|---|-------------------------------|-------------------------------|
| Not later than one year                           | 838                           | 862                           |
| Later than one year and not later than five years | 2,731                         | 2,816                         |
| Later than five years                             | 3,803                         | 3,985                         |
|   | <b>7,372</b>                  | <b>7,663</b>                  |

In 2019/20 £255,115 contingent rents were receivable by the Council (2018/19 £272,300).

## 30. 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 2019/20.

## 31. 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 the Local Government Pension Scheme:

- The scheme is administered locally by Essex County Council and 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.
- The scheme also includes arrangements for the award of discretionary post-retirement benefits upon early retirement – an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made, there are no investment assets built up to meet those liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.
- The 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.

## 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:

|  | 2019/20<br>£000s | 2018/19<br>£000s |
|--|------------------|------------------|
| <b>Comprehensive Income and Expenditure Statement (CIES)</b>   |                  |                  |
| Cost of Services:  |                  |                  |
| • Current service cost   | 4,080            | 3,983            |
| • Past service cost including curtailments   | -                | 1,066            |
| • Administration expenses  | 68               | 84               |
| • Interest cost  | 1,814            | 2,283            |
| Total post-employment benefits charged to the surplus or deficit on the provision of services  | <b>5,962</b>     | 7,416            |
| Other post-employment benefits charged to the CIES   |                  |                  |
| Remeasurement of the net benefit liability comprising:   |                  |                  |
| Return on plan assets (excluding amount included in the net interest expense)  | (16,490)         | 11,572           |
| Other actuarial gains/(losses)   | (885)            | -                |
| Changes in financial assumptions   | 24,935           | (11,640)         |
| Actuarial gains/(losses) arising from the change of demographic assumptions  | 669              | 16,160           |
| Experience loss/(gain) on defined benefit obligation   | 598              | -                |
| <b>Total post-employment benefit gains/(losses) charged to the CIES</b>  | <b>8,827</b>     | 16,092           |
| <b>Movement In Reserves Statement</b>  |                  |                  |
| Reversal of net charges made to the Surplus or Deficit on the provision of services for post-employment benefits in accordance with the Code | (5,962)          | (7,416)          |
| <b>Actual amount charged against the General Fund balance for pensions in the year</b>   |                  |                  |
| Employers' contributions payable to the scheme   | 5,278            | 5,296            |

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 2020 was a loss of £10.770 million (as at 31 March 2019 it was a loss of £19.597 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.

|  | <b>2019/20</b>  | <b>2018/19</b>  |
|--|-----------------|-----------------|
|  | £000s           | £000s           |
| Present value of scheme benefit obligation           | (265,247)       | (289,780)       |
| Fair value of plan assets                            | 202,922         | 220,168         |
| Net Liability  | (62,325)        | (69,612)        |
| Present value of discretionary obligation            | (7,714)         | (8,570)         |
| <b>Net liability from defined benefit obligation</b> | <b>(70,039)</b> | <b>(78,182)</b> |

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

|  | <b>2019/20</b> | <b>2018/19</b> |
|--|----------------|----------------|
|  | £000s          | £000s          |
| <b>Opening balance at 1 April</b>                | <b>220,168</b> | <b>205,771</b> |
| Interest income                                  | 5,224          | 5,218          |
| Return on assets less interest                   | (16,490)       | 11,572         |
| Other actuarial gains/(losses)                   | (885)          | 0              |
| Administration expenses                          | (68)           | (84)           |
| Contributions from employer                      | 5,278          | 5,296          |
| Contributions from employees and other employers | 741            | 745            |
| Benefits paid                                    | (11,046)       | (8,350)        |
| <b>Closing Balance at 31 March</b>               | <b>202,922</b> | <b>220,168</b> |

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

|  | <b>2019/20</b> | <b>2018/19</b> |
|--|----------------|----------------|
|  | £000s          | £000s          |
| <b>Opening balance at 1 April</b>                    | <b>298,350</b> | <b>297,925</b> |
| Current service cost and settlements                 | 4,080          | 3,983          |
| Interest cost  | 7,038          | 7,501          |
| Change in financial assumptions                      | (24,935)       | 11,640         |
| Change in demographic assumptions                    | (669)          | (16,160)       |
| Experience loss/(gain) on defined benefit obligation | (598)          | -              |
| Benefits paid  | (10,371)       | (7,653)        |
| Past service costs, including curtailments           | -              | 1,066          |
| Contributions by employees and other employers       | 741            | 745            |
| Unfunded pension payments                            | (675)          | (697)          |
| <b>Closing balance at 31 March</b>                   | <b>272,961</b> | <b>298,350</b> |

The Council has guaranteed any possible future unfunded pension fund liabilities of HTS 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.

## Local Government Pension Scheme Assets Comprised

|   | 2019/20         |                   |                 |                   | 2018/19         |                   |                 |                   |
|---|-----------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|-------------------|
|   | Quoted<br>£000s | Unquoted<br>£000s | Quoted<br>£000s | Unquoted<br>£000s | Quoted<br>£000s | Unquoted<br>£000s | Quoted<br>£000s | Unquoted<br>£000s |
| Asset Breakdown                         |                 |                   |                 |                   |                 |                   |                 |                   |
| Index Linked Government Securities - UK | 4.3%            | 8,726             | -               | -                 | 5.3%            | 11,669            | -               | -                 |
| Corporate Bonds - UK                    | 6.1%            | 12,378            | -               | -                 | 5.8%            | 12,770            | -               | -                 |
| Equities                                |                 |                   |                 |                   |                 |                   |                 |                   |
| UK                                      | 4.2%            | 8,523             | -               | -                 | 4.5%            | 9,908             | -               | -                 |
| Overseas                                | 49.2%           | 99,838            | -               | -                 | 53.2%           | 117,129           | -               | -                 |
| Property - All                          | 2.5%            | 5,073             | 6.6%            | 13,393            | 3.3%            | 7,266             | 5.6%            | 12,329            |
| Others                                  |                 |                   |                 |                   |                 |                   |                 |                   |
| Private Equity                          | -               | -                 | 5.1%            | 10,349            | -               | -                 | 4.6%            | 10,128            |
| Infrastructure                          | -               | -                 | 5.9%            | 11,972            | -               | -                 | 5.0%            | 11,008            |
| Timber                                  | -               | -                 | 3.6%            | 7,305             | -               | -                 | 3.0%            | 6,605             |
| Private Debt                            | -               | -                 | 2.0%            | 4,058             | -               | -                 | 1.7%            | 3,743             |
| Other Managed Funds                     | -               | -                 | 6.4%            | 12,987            | -               | -                 | 5.3%            | 11,669            |
| Cash/Temporary Investments              | -               | -                 | 4.0%            | 8,117             | -               | -                 | 2.6%            | 5,724             |
| Net Current Assets                      | -               | -                 | 0.1%            | 203               | -               | -                 | 0.1%            | 220               |
| <b>Total</b>                            | <b>66.3%</b>    | <b>134,538</b>    | <b>33.7%</b>    | <b>68,384</b>     | <b>72.1%</b>    | <b>158,742</b>    | <b>27.9%</b>    | <b>61,426</b>     |

### 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:

|  | 2019/20 | 2018/19 |
|--|---------|---------|
| Life expectancy from age 65 (years):                                 |         |         |
| Retiring today:  |         |         |
| - Men  | 21.8    | 21.3    |
| - Women  | 23.7    | 23.6    |
| Retiring in 20 years:  |         |         |
| - Men  | 23.2    | 22.9    |
| - Women  | 25.2    | 25.4    |
| Rates of Inflation:  |         |         |
| RPI  | 2.75%   | 3.45%   |
| CPI  | 1.90%   | 2.45%   |
| Rate of increase in salaries   | 2.90%   | 3.95%   |
| Rate of increase in pensions   | 1.90%   | 2.45%   |
| Rate for discounting scheme liabilities                              | 2.35%   | 2.40%   |
| 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                        | 268,420 | 272,961 | 277,584 |
| Projected Service Cost                                   | 3,756   | 3,846   | 3,939   |
| Adjustment to long term salary increase                  | +0.1%   | 0.0%    | -0.1%   |
| Present Value of Total Obligation                        | 273,242 | 272,961 | 272,683 |
| Projected Service Cost                                   | 3,848   | 3,846   | 3,844   |
| Adjustment to pension increases and deferred revaluation | +0.1%   | 0.0%    | -0.1%   |
| Present Value of Total Obligation                        | 277,319 | 272,961 | 268,675 |
| Projected Service Cost                                   | 3,937   | 3,846   | 3,757   |
| Adjustment to life expectancy assumptions                | +0.1%   | None    | -0.1%   |
| Present Value of Total Obligation                        | 285,093 | 272,961 | 261,378 |
| Projected Service Cost                                   | 3,964   | 3,846   | 3,732   |

## **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 will take effect as at 31 March 2023.

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 2021 is £8.646 million.

## **32. CONTINGENT LIABILITIES**

At 31 March 2020, 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 2020 was £3,789,575 (£3,542,738 at 31 March 2019). The timing and the value of any unreported and unsettled future liabilities cannot be determined with any certainty.

### **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.

## **33. CONTINGENT ASSETS**

The Council had a contingent asset at 31 March 2020 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.

## **34. 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 2020 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 2020, £17.425 million of total short-term debt was overdue for payment, as shown below:

|                        | <b>31 March 2020</b> | <b>31 March 2019</b> |
|------------------------|----------------------|----------------------|
|                        | £000s                | £000s                |
| Less than three months | 1,967                | 2,140                |
| Three to six months    | 447                  | 414                  |
| More than six months   | 15,011               | 8,106                |
| <b>Total</b>           | <b>17,425</b>        | <b>10,660</b>        |

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:

|                | <b>31 March 2020</b> | <b>31 March 2019</b> |
|----------------|----------------------|----------------------|
|                | £000s                | £000s                |
| 5 to 10 years  | 83,535               | 41,767               |
| 10 to 20 years | 83,535               | 125,303              |
| 20 to 30 years | 44,767               | 44,767               |
| <b>Total</b>   | <b>211,837</b>       | <b>211,837</b>       |

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 2020, £213.6 million of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates and £26.1 million (net investments) to variable rates.

If, at 31 March 2020, all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been:

| <b>Impact of 1% Change in Interest Rates</b>                   | <b>£000s</b> |
|--|--------------|
| Increase in interest payable on variable rate borrowings       | -            |
| Increase in interest receivable on variable rate investments   | (193)        |
| Decrease in fair value of loans and receivables *              | 4            |
| Decrease in fair value of fixed rate borrowings/ liabilities * | 264          |

\* 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.

### 35. OTHER LONG-TERM LIABILITIES

| Pension Scheme Liabilities | <b>2019/20</b><br>£000s | <b>2018/19</b><br>£000s |
|----------------------------|-------------------------|-------------------------|
| <b>As at 1 April</b>       | 70,039                  | 78,182                  |
| <b>As at 31 March</b>      | <b>70,039</b>           | <b>78,182</b>           |

### 36. LONG-TERM DEBTORS

|                       | 2019/20<br>£000s | 2018/19<br>£000s |
|-----------------------|------------------|------------------|
| Other Long Term Loans | 3,503            | 3,503            |
| Service Charge Loans  | 66               | 66               |
| Service Charge Debtor | 288              | 288              |
| Renovation Grants     | 267              | 267              |
| Soft Loans            | 12               | 12               |
| <b>Total</b>          | <b>4,136</b>     | <b>4,136</b>     |



# SUPPLEMENTARY FINANCIAL STATEMENTS

## HOUSING REVENUE ACCOUNT

### Housing Revenue Account (HRA) Income and Expenditure Statement

|  | Note       | 2019/20<br>£000s | 2018/19<br>£000s |
|--|------------|------------------|------------------|
| <b>Expenditure</b>   |            |                  |                  |
| Repairs and Maintenance  |            | (10,029)         | (10,085)         |
| Supervision and Management   |            | (16,056)         | (16,444)         |
| Rents, Rates, Taxes and Other Charges  |            | (85)             | (50)             |
| Depreciation and Impairments of Non-Current Assets   | H7 and H10 | (12,354)         | (29,717)         |
| Amortisation of Intangible Assets  |            | (91)             | (76)             |
| Debt Management Costs  |            | (6)              | (8)              |
| Movement in the Allowance for Bad Debts (not specified by the Code)  |            | (359)            | (205)            |
| Sums directed by the Secretary of State that are expenditure in accordance with the Code                                 |            | (5)              | (5)              |
| <b>Total Expenditure</b>   |            | <b>(38,985)</b>  | <b>(56,590)</b>  |
| <b>Income</b>  |            |                  |                  |
| Dwelling Rents   |            | 42,156           | 42,906           |
| Non-Dwelling Rents   |            | 1,094            | 1,028            |
| Charges for Services and Facilities  |            | 4,294            | 2,707            |
| Contributions towards Expenditure  |            | 324              | 1,560            |
| <b>Total Income</b>  |            | <b>47,868</b>    | <b>48,201</b>    |
| <b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>                        |            | <b>8,884</b>     | <b>(8,389)</b>   |
| HRA Services' share of Corporate and Democratic Core   |            | (845)            | (846)            |
| <b>Net Cost for HRA Services</b>   |            | <b>8,038</b>     | <b>(9,235)</b>   |
| <b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b> |            |                  |                  |
| Gain or (loss) on sale of HRA non-current assets   |            | 3,592            | (2,152)          |
| Interest payable and similar charges   |            | (6,674)          | (6,696)          |
| Interest and investment income   |            | 195              | 168              |
| Capital grants and contributions receivable  |            | 2,295            | 1,330            |
| <b>Surplus or (deficit) for the year on HRA services</b>   |            | <b>7,447</b>     | <b>(16,585)</b>  |

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## ***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 | 2019/20<br>£000s | 2018/19<br>£000s |
|---|------|------------------|------------------|
| <b>Balance on the HRA at 1 April</b>  |      | <b>13,731</b>    | <b>14,104</b>    |
| (Surplus) or deficit for the year on the HRA Income and Expenditure Statement |      | 7,447            | (16,585)         |
| Adjustments between accounting basis and funding basis under statute          | H1   | (5,259)          | 16,209           |
| Net increase or (decrease) before transfers to or from reserves               |      | 2,188            | (376)            |
| Transfers (to) or from reserves   | H2   | (168)            | 3                |
| Increase or (decrease) in year on the HRA                                     |      | 2,020            | (373)            |
| <b>Balance on the HRA as at 31 March</b>                                      |      | <b>15,751</b>    | <b>13,731</b>    |

## **NOTES TO THE HOUSING REVENUE ACCOUNT**

### **H1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE**

| <b>Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year:</b>         | <b>2019/20<br/>£000s</b> | <b>2018/19<br/>£000s</b> |
|---|--------------------------|--------------------------|
| Intangible Assets written down  | 91                       | 76                       |
| Impairment of Fixed Assets  | 1,730                    | 19,353                   |
| (Gain)/ Loss on sale of HRA Fixed Assets  | (3,592)                  | 2,153                    |
| Financial Instruments   | (46)                     | (7)                      |
| Employer's contribution payable to the ECC Pension Fund and retirement benefits payable direct to pensioners                            | (1,185)                  | (1,283)                  |
| Deferred Grants written down  | -                        | (130)                    |
| Accumulated Absences  | (13)                     | (3)                      |
| <b>Items not included in the HRA Income and Expenditure Account but to be included in the Movement on the HRA Balance for the year:</b> |                          |                          |
| Capital Expenditure Funded by the HRA   | (2,244)                  | (3,950)                  |
| <b>Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year</b>                              | <b>(5,259)</b>           | <b>16,209</b>            |

### **H2. TRANSFERS TO / (FROM) RESERVES**

| <b>Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year:</b> | <b>2019/20<br/>£000s</b> | <b>2018/19<br/>£000s</b> |
|---|--------------------------|--------------------------|
| Contribution to Insurance Fund  | 266                      | 261                      |
| Contribution to Perpetuity Earmarked Reserves   | 394                      | 324                      |
| Interest on Earmarked Reserves  | 35                       | 29                       |
| Contribution from Insurance Fund  | (130)                    | (155)                    |
| Contribution from Perpetuity Earmarked Reserves   | (397)                    | (462)                    |
| <b>Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year</b>                      | <b>168</b>               | <b>(3)</b>               |

## **NOTES TO THE HOUSING REVENUE ACCOUNT**

### **H3. ANALYSIS OF THE HOUSING STOCK**

|  | <b>2019/20<br/>Number</b> | <b>2018/19<br/>Number</b> |
|--|---------------------------|---------------------------|
| <b>Analysis by Type of Dwelling</b>                      |                           |                           |
| Houses and Bungalows                                     | 5,566                     | 5,606                     |
| Flats and Maisonettes                                    | 3,544                     | 3,557                     |
| Equity Share Ownership (ESO)                             | 11                        | 12                        |
| Houses of Multiple Occupation (HMO)                      | 5                         | 5                         |
| <b>Total Dwellings</b>                                   | <b>9,126</b>              | <b>9,180</b>              |
| Percentage of ESO owned by the Council                   | 4.88%                     | 5.38%                     |
| <b>Analysis by Number of Bedrooms</b>                    |                           |                           |
| Bedsitters   | 398                       | 398                       |
| 1 bedroom  | 2,038                     | 2,043                     |
| 2 bedrooms   | 3,525                     | 3,549                     |
| 3 bedrooms   | 2,814                     | 2,837                     |
| 4 bedrooms   | 321                       | 323                       |
| 5 bedrooms   | 25                        | 25                        |
| HMO 6 bedrooms or more                                   | 5                         | 5                         |
| <b>Total Dwellings</b>                                   | <b>9,126</b>              | <b>9,180</b>              |
| <b>The change in stock can be summarised as follows:</b> |                           |                           |
| Stock at 1 April   | 9,180                     | 9,279                     |
| Deduct Sales, Demolitions, etc                           | (57)                      | (101)                     |
| Add Repurchases, Refurbishments, Additions               | 3                         | 2                         |
|  | <b>9,126</b>              | <b>9,180</b>              |

### **H4. BALANCE SHEET VALUES FOR THE HOUSING STOCK**

|                                       | <b>31 March 2020<br/>£000s</b> | <b>31 March 2019<br/>£000s</b> |
|---------------------------------------|--------------------------------|--------------------------------|
| Council Dwellings:                    |                                |                                |
| Land                                  | 170,144                        | 171,421                        |
| Dwellings                             | 545,597                        | 549,511                        |
|                                       | 715,741                        | 720,931                        |
| Other land and buildings              | 20,965                         | 17,917                         |
| Infrastructure and community assets   | 316                            | 326                            |
| Assets under construction             | 4,614                          | 2,550                          |
| Surplus assets not held for sale      | 368                            | 337                            |
| Assets held for sale                  | 668                            | 1,554                          |
| <b>Total HRA Balance Sheet Values</b> | <b>742,672</b>                 | <b>743,615</b>                 |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### H5. VACANT POSSESSION

The vacant possession value of the Council's Housing stock is shown below. It shows the economic cost of providing council housing at less than market rents.

|                                      | as at<br>1 April 2020<br>£000s | as at<br>1 April 2019<br>£000s |
|--------------------------------------|--------------------------------|--------------------------------|
| Vacant possession value of dwellings | 1,897,188                      | 1,900,561                      |

### 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

| Operational Assets | 2019/20<br>£000s | 2018/19<br>£000s |
|--------------------|------------------|------------------|
| Dwellings          | 1,761            | 19,270           |
| Other Property     | 60               | 161              |
| <b>Total</b>       | <b>1,821</b>     | <b>19,431</b>    |

## **NOTES TO THE HOUSING REVENUE ACCOUNT**

### **H8. CAPITAL EXPENDITURE AND FINANCING**

|                                      | <b>2019/20</b><br>£000s | <b>2018/19</b><br>£000s |
|--------------------------------------|-------------------------|-------------------------|
| <b>HRA Capital Expenditure:</b>      |                         |                         |
| Dwellings Stock                      | 13,824                  | 16,899                  |
| Non-Dwellings works                  | 514                     | 85                      |
| Assets under Construction            | 425                     | 50                      |
| Investment in Information Technology | -                       | 171                     |
|                                      | <b>14,763</b>           | <b>17,205</b>           |
| <b>Financed by</b>                   |                         |                         |
| Grants and Contributions             | 2,244                   | 131                     |
| Capital Receipts                     | 1,895                   | 2,762                   |
| Revenue Contributions                | -                       | 3,950                   |
| Major Repairs Reserve                | 10,624                  | 10,362                  |
|                                      | <b>14,763</b>           | <b>17,205</b>           |

### **H9. CAPITAL RECEIPTS**

|                                    | <b>2019/20</b><br>£000s | <b>2018/19</b><br>£000s |
|------------------------------------|-------------------------|-------------------------|
| Sale of Council Houses - Direct    | 8,304                   | 5,439                   |
| Other (including shared ownership) | 175                     | 379                     |
|                                    | <b>8,479</b>            | <b>5,818</b>            |

### **H10. CHARGES FOR DEPRECIATION**

| <b>Depreciation</b>                 | <b>2019/20</b><br>£000s | <b>2018/19</b><br>£000s |
|-------------------------------------|-------------------------|-------------------------|
| Council Dwellings                   | 10,367                  | 10,123                  |
| Other Land and Buildings            | 154                     | 151                     |
| Infrastructure and Community Assets | 9                       | 9                       |
| Surplus assets not held for sale    | 3                       | 3                       |
| <b>Total</b>                        | <b>10,533</b>           | <b>10,286</b>           |
| Operational Assets                  | 10,368                  | 10,123                  |
| Non-Operational Assets              | 165                     | 163                     |
| <b>Total</b>                        | <b>10,533</b>           | <b>10,286</b>           |

## **NOTES TO THE HOUSING REVENUE ACCOUNT**

### **H11. MOVEMENT ON THE MAJOR REPAIRS RESERVE**

| <b>Major Repairs Reserve</b>                         | <b>2019/20</b><br>£000s | <b>2018/19</b><br>£000s |
|--|-------------------------|-------------------------|
| <b>Balance as at 1 April</b>                         |                         |                         |
| Transfers in - depreciation                          | 10,624                  | 10,362                  |
| Capital Spending on Housing Stock met by the Reserve | (10,624)                | (10,362)                |
| <b>Balance as at 31 March</b>                        | <b>-</b>                | <b>-</b>                |

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

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:

| <b>Rent Arrears</b>      | <b>31 March 2020</b><br>£000s | <b>31 March 2019</b><br>£000s |
|--------------------------|-------------------------------|-------------------------------|
| Due from Current Tenants | 1,688                         | 1,625                         |
| Due from Former Tenants  | 1,533                         | 1,476                         |
| Arrears (gross)          | 3,221                         | 3,101                         |
| Prepayments              | (960)                         | (843)                         |
| <b>Net Arrears</b>       | <b>2,261</b>                  | <b>2,258</b>                  |

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                                       | 2019/20                 |                      |                | 2018/19        |
|---|-------------------------|----------------------|----------------|----------------|
|   | Business Rates<br>£000s | Council Tax<br>£000s | TOTAL<br>£000s | TOTAL<br>£000s |
| <b>Income</b>   |                         |                      |                |                |
| Council Tax amount due  | -                       | 50,331               | 50,331         | 46,789         |
| Business Rates amount due                                       | 44,845                  | -                    | 44,845         | 47,029         |
| Reduction in impairment allowance                               |                         | -                    | -              | 480            |
| <b>Total Income</b>   | <b>44,845</b>           | <b>50,331</b>        | <b>95,176</b>  | <b>94,298</b>  |
| <b>Expenditure</b>  |                         |                      |                |                |
| Distribution of previous year's surplus                         |                         |                      |                |                |
| - Harlow District Council                                       | 783                     | 344                  | 1,127          | 787            |
| - Essex County Council  | 176                     | 1,544                | 1,720          | 2,950          |
| - Essex Police Authority  | -                       | 214                  | 214            | 395            |
| - Essex Fire Authority  | 20                      | 89                   | 109            | 176            |
| - MHCLG □   | 979                     | -                    | 979            | 127            |
|   | <b>1,958</b>            | <b>2,191</b>         | <b>4,149</b>   | <b>4,435</b>   |
| Precepts, Demands and Shares                                    |                         |                      |                |                |
| - Harlow District Council                                       | 18,377                  | 7,298                | 25,675         | 25,737         |
| - Essex County Council  | 4,135                   | 33,359               | 37,494         | 35,488         |
| - Essex Police Authority  | -                       | 5,071                | 5,071          | 4,325          |
| - Essex Fire Authority  | 459                     | 1,904                | 2,363          | 2,270          |
| - MHCLG □   | 22,972                  | -                    | 22,972         | 23,461         |
|   | <b>45,943</b>           | <b>47,632</b>        | <b>93,575</b>  | <b>91,281</b>  |
| Disregarded Amounts   |                         |                      |                |                |
| Enterprise Zone   | -                       | -                    | -              | 875            |
| Charges to the Collection Fund                                  |                         |                      |                |                |
| Increase in impairment allowance                                | 347                     | 360                  | 707            | -              |
| Increase in provision for appeals                               | 236                     | -                    | 236            | 144            |
| Interest on refunds   | -                       | -                    | -              | 34             |
| Cost of Collection  | 116                     | -                    | 116            | 117            |
| Write offs  | -                       | -                    | -              | (2)            |
| Transitional protection payments                                | 463                     | -                    | 463            | 637            |
|   | <b>1,161</b>            | <b>360</b>           | <b>1,521</b>   | <b>931</b>     |
| <b>Total Expenditure</b>  | <b>49,062</b>           | <b>50,183</b>        | <b>99,245</b>  | <b>97,522</b>  |
| <b>(Surplus)/Deficit for year</b>                               | <b>4,217</b>            | <b>(148)</b>         | <b>4,069</b>   | <b>3,224</b>   |
| <b>Balance brought forward (surplus)/deficit</b>                | <b>1,861</b>            | <b>(2,308)</b>       | <b>(447)</b>   | <b>(3,671)</b> |
| <b>Balance carried forward 31 March 2020 (surplus)/ deficit</b> | <b>6,078</b>            | <b>(2,456)</b>       | <b>3,622</b>   | <b>(447)</b>   |

## 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 2019/20 were 49.1p for qualifying small businesses and 50.4p for all other businesses (48.0p and 49.3p respectively in 2018/19).

The NNDR income due (after exemptions and reliefs) of £44.845 million for 2019/20 (£47.029 million for 2018/19) was based on an average rateable value for the Council’s area of £109.594 million for the year (£110.372 million in 2018/19).

### 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 26,279.01 for 2019/20 (25,590.01 for 2018/19), 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                           | 3                    | 0.88                                       | 5/9        | 0.49               |
| A                                      | 2,461                | 1,403.64                                   | 6/9        | 935.76             |
| B                                      | 7,949                | 5,268.39                                   | 7/9        | 4,097.64           |
| C                                      | 18,770               | 15,041.45                                  | 8/9        | 13,370.18          |
| D                                      | 4,395                | 3,825.12                                   | 9/9        | 3,825.12           |
| E                                      | 2,387                | 2,141.62                                   | 11/9       | 2,617.54           |
| F                                      | 982                  | 909.80                                     | 13/9       | 1,314.15           |
| G                                      | 406                  | 379.16                                     | 15/9       | 631.93             |
| H                                      | 12                   | 11.26                                      | 18/9       | 22.51              |
|  | 37,365               | 28,981.32                                  |            | 26,815.32          |
| <b>Tax Base at 98% collection rate</b> |                      |  |            | <b>26,279.01</b>   |

**COLLECTION FUND****CF3. Distribution of surplus/deficit**

| <b>Distribution of Surplus/(Deficit)</b>                 | <b>Council Tax</b>      |                         | <b>Business Rates</b>   |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
|  | <b>2019/20</b><br>£000s | <b>2018/19</b><br>£000s | <b>2019/20</b><br>£000s | <b>2018/19</b><br>£000s |
| Harlow Council   | (376)                   | (362)                   | 2,431                   | 744                     |
| Essex County Council                                     | (1,720)                 | (1,626)                 | 547                     | 167                     |
| Essex Police and Crime Commissioner                      | (262)                   | (226)                   | -                       | -                       |
| Essex Fire Authority                                     | (98)                    | (94)                    | 61                      | 19                      |
| Ministry of Housing, Communities and<br>Local Government | -                       | -                       | 3,039                   | 931                     |
|  | <b>(2,456)</b>          | <b>(2,308)</b>          | <b>6,078</b>            | <b>1,861</b>            |

**Group Accounts for the year ended 31 March 2020****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. The accounts have been prepared in accordance with the Code.

The Council's wholly owned subsidiary company, Harlow Trading Services (Property & Environment) Ltd. ("HTS"), began active trading on 1 February 2017 and its accounts are consolidated with the Council's.

**Accounting Policies**

HTS has prepared 2018/19 accounts using, in the main, accounting policies consistent with those applied by the Council. The major exception is in respect of employee pensions. HTS is an admitted body to the Local Government Pension Scheme and, as such, it 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. That pension fund liability is excluded from both the pension disclosures in the single entity accounts of the Council and the accounts of the company. HTS' accounting policies have been aligned to those of the Council so that the liability is reflected in the Group Accounts. In addition, there is a minor adjustment for depreciation to align accounting policies and the effect of IFRS 16 accounting for leases is removed from the HTS accounts. The Council's accounts do not reflect IFRS16 which is therefore excluded from the group accounts.

HTS's accounts have been consolidated with those of the Council on a line by line basis, and any balances and transactions between parties have been eliminated.. 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 incorporated into the relevant heading of the Balance Sheet, removing balances owed between the two parties.

## 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.

| <b>Group Movement in Reserves Statement</b>                              | <b>Harlow Council Reserves</b><br>£000s | <b>Group Reserves</b><br>£000s |
|--|---|--------------------------------|
| <b>Balance at 31 March 2018 carried forward</b>                          | <b>607,728</b>                          | <b>595,143</b>                 |
| <b>Movement in reserves during 2018/19</b>                               |   |                                |
| Surplus / (Deficit) on the provision of services                         | (22,906)                                | (24,598)                       |
| Other Comprehensive Income and Expenditure                               | 30,579                                  | 32,532                         |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>7,673</b>                            | <b>7,934</b>                   |
| Adjustments between accounting basis and funding basis under regulations | -                                       | (10)                           |
| <b>Increase / (Decrease) in 2018/19</b>                                  | <b>7,673</b>                            | <b>7,924</b>                   |
| <b>Balance at 31 March 2019 carried forward</b>                          | <b>615,405</b>                          | <b>603,067</b>                 |
| <b>Movement in reserves during 2019/20</b>                               |   |                                |
| Surplus / (Deficit) on the provision of services                         | 7,976                                   | 5,164                          |
| Other Comprehensive Income and Expenditure                               | 11,320                                  | 13,083                         |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>19,296</b>                           | <b>18,247</b>                  |
| <b>Increase / (Decrease) in 2019/20</b>                                  | <b>19,296</b>                           | <b>19,914</b>                  |
| <b>Balance at 31 March 2020 carried forward</b>                          | <b>634,701</b>                          | <b>622,980</b>                 |

## 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.

| <b>Group Comprehensive Income and Expenditure Statement (CIES)</b>        | <b>2019/20 Harlow Council</b> | <b>2019/20 Group</b> | <b>2018/19 Harlow Council</b> | <b>2018/19 Group</b> |
|---|-------------------------------|----------------------|-------------------------------|----------------------|
|   | £000s                         | £000s                | £000s                         | £000s                |
| <b>Net Expenditure</b>  |                               |                      |                               |                      |
| Managing Director & Services  | 253                           | 253                  | 185                           | 185                  |
| Corporate Services  | (346)                         | (304)                | 1,052                         | 1,597                |
| Community Wellbeing   | 2,882                         | 2,961                | 5,330                         | 5,387                |
| Finance   | 1,682                         | 1,749                | 1,127                         | 1,205                |
| Place   | 5,334                         | 3,978                | 1,887                         | 994                  |
| Housing GF  | 1,138                         | 1,150                | 1,355                         | 1,375                |
| Governance  | 3,678                         | 3,718                | 1,768                         | 1,792                |
| Housing HRA   | (14,069)                      | (13,270)             | 4,304                         | 5,142                |
| Third party sales   | -                             | -                    | -                             | (120)                |
| <b>Cost of Services</b>   | <b>552</b>                    | <b>235</b>           | 17,008                        | 17,557               |
| Other Operating Expenditure   | (4,391)                       | (4,391)              | 6,925                         | 6,925                |
| Financing and Investment  | 8,393                         | 9,736                | 8,712                         | 9,753                |
| Income and Expenditure  |                               |                      |                               |                      |
| Taxation and Non-Specific Grant   |                               |                      |                               |                      |
| Income  | (12,530)                      | (12,411)             | (13,415)                      | (13,415)             |
| <b>(Surplus)/ Deficit on Provision of Services</b>                        | <b>(7,976)</b>                | <b>(6,831)</b>       | <b>19,230</b>                 | <b>20,819</b>        |
| Tax expenses on subsidiaries  | -                             | -                    | -                             | 101                  |
|   | <b>(7,976)</b>                | <b>(6,831)</b>       | <b>19,230</b>                 | <b>20,920</b>        |
| (Surplus)/ Deficit on Revaluation of Property, Plant and Equipment Assets | (2,548)                       | (2,548)              | (10,244)                      | (10,244)             |
| (Surplus)/ Deficit on Revaluation of Available for Sale Financial Assets  | 56                            | 56                   | 3                             | 3                    |
| Actuarial (Gains)/ Losses on Pension Assets and Liabilities               | (8,827)                       | (10,590)             | (16,092)                      | (18,045)             |
| <b>Other Comprehensive Income and Expenditure</b>                         | <b>(11,320)</b>               | <b>(13,082)</b>      | <b>(26,334)</b>               | <b>(28,286)</b>      |
| <b>Total Comprehensive Income and Expenditure</b>                         | <b>(19,297)</b>               | <b>(19,914)</b>      | <b>(7,104)</b>                | <b>(7,366)</b>       |

## 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.

| Group Balance Sheet                  |      | 2019/20                 | 2019/20          | 2018/19                 | 2018/19          |
|--------------------------------------|------|-------------------------|------------------|-------------------------|------------------|
|                                      |      | Harlow Council<br>£000s | Group<br>£000s   | Harlow Council<br>£000s | Group<br>£000s   |
|                                      | Note |                         |                  |                         |                  |
| Property, Plant and Equipment        | G1   | 882,634                 | 883,538          | 871,790                 | 872,707          |
| Heritage Assets                      |      | 1,738                   | 1,738            | 1,738                   | 1,738            |
| Investment Property                  |      | 1,419                   | 1,419            | 1,347                   | 1,347            |
| Intangible Assets                    |      | 465                     | 645              | 623                     | 892              |
| Long-term Investments                |      | 3,906                   | 3,906            | 3,961                   | 3,961            |
| Long-term Debtors                    |      | 3,975                   | 3,507            | 4,136                   | 3,434            |
| <b>Long-term Assets</b>              |      | <b>894,137</b>          | <b>894,753</b>   | <b>883,595</b>          | <b>884,079</b>   |
| Short-term Investments               |      | -                       | -                | 7,524                   | 7,524            |
| Assets Held for Sale                 |      | 678                     | 678              | 1,554                   | 1,554            |
| Inventories                          |      | 55                      | 145              | 40                      | 82               |
| Short-term Debtors                   | G2   | 15,448                  | 17,377           | 10,315                  | 11,189           |
| Cash and Cash Equivalents            | G3   | 22,501                  | 25,264           | 21,501                  | 23,369           |
| <b>Current Assets</b>                |      | <b>38,681</b>           | <b>43,464</b>    | <b>40,934</b>           | <b>43,718</b>    |
| Short-term Borrowing                 |      | (81)                    | (81)             | (81)                    | (81)             |
| Short-term Creditors                 | G4   | (12,459)                | (16,060)         | (16,523)                | (18,942)         |
| Short-term Provisions                |      | (1,251)                 | (1,251)          | (1,133)                 | (1,133)          |
| Grants Receipts in Advance - Revenue |      | (81)                    | (81)             | (3)                     | (3)              |
| <b>Current Liabilities</b>           |      | <b>(13,872)</b>         | <b>(17,473)</b>  | <b>(17,740)</b>         | <b>(20,159)</b>  |
| Long-term Creditors                  |      | (363)                   | (363)            | (224)                   | (224)            |
| Long-Term Borrowing                  |      | (213,551)               | (214,015)        | (211,837)               | (211,837)        |
| Other Long-Term Liabilities          | G5   | (70,039)                | (83,102)         | (78,182)                | (91,356)         |
| Grants Receipts in Advance - Capital |      | (149)                   | (149)            | (999)                   | (999)            |
| Grants Receipts in Advance - Revenue |      | (114)                   | (114)            | (148)                   | (148)            |
| <b>Long-Term Liabilities</b>         |      | <b>(284,216)</b>        | <b>(297,743)</b> | <b>(291,390)</b>        | <b>(304,564)</b> |
| <b>Net Assets</b>                    |      | <b>634,730</b>          | <b>623,001</b>   | <b>615,400</b>          | <b>603,075</b>   |
| Usable Reserves                      |      | (67,725)                | (69,059)         | (54,174)                | (55,022)         |
| Unusable Reserves                    | G6   | (567,005)               | (553,942)        | (561,226)               | (548,053)        |
| <b>Total Reserves</b>                |      | <b>(634,730)</b>        | <b>(623,001)</b> | <b>(615,400)</b>        | <b>(603,075)</b> |

## GROUP ACCOUNTS

### Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the group during the reporting period. The statement shows how the group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the group are funded by way of taxation and grant income or from the recipients of services provided by the 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.

| <b>Group Cash Flow Statement</b>   | <b>2019/20<br/>Harlow<br/>Council<br/>£000s</b> | <b>2019/20<br/>Group<br/>£000s</b> | <b>2018/19<br/>Group<br/>£000s</b> |
|--|---|------------------------------------|------------------------------------|
| Net Surplus/(Deficit) on the Provision of Services   | 7,976   | 9,121                              | (24,598)                           |
| Adjustments to Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements   | 18,292  | 16,520                             | 42,957                             |
| Adjustments for Items Included in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities | (906)   | (906)                              | (7,251)                            |
| <b>Net Cash Flows from Operating Activities</b>  | <b>25,363</b>                                   | <b>24,736</b>                      | <b>11,108</b>                      |
| Investing Activities   | (21,426)  | (19,904)                           | (17,296)                           |
| Financing Activities   | (2,937)   | (2,937)                            | (1,551)                            |
| <b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>  | <b>1,000</b>                                    | <b>1,895</b>                       | <b>(7,739)</b>                     |
| Cash and Cash Equivalents at the Beginning of the Reporting Period   | 21,501  | 23,369                             | 27,432                             |
| <b>Cash and Cash Equivalents at the End of the Reporting Period</b>  | <b>22,501</b>                                   | <b>25,264</b>                      | <b>19,693</b>                      |

## GROUP ACCOUNTS

### Notes to the Group Accounts

#### G1 Property, Plant and Equipment

| Property, Plant and Equipment   | 2019/20                 |                | 2018/19                 |                |
|---|-------------------------|----------------|-------------------------|----------------|
|   | Harlow Council<br>£000s | Group<br>£000s | Harlow Council<br>£000s | Group<br>£000s |
| <b>Cost or Valuation at 1 April</b>   | 883,582                 | 884,971        | 882,534                 | 883,770        |
| Additions   | 26,297                  | 26,560         | 26,765                  | 26,918         |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve                            | 11,577                  | 11,577         | 13,158                  | 13,158         |
| Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services | (8,145)                 | (8,145)        | (30,722)                | (30,722)       |
| Derecognition - Disposals   | (5,836)                 | (5,836)        | (6,613)                 | (6,619)        |
| Other reclassification in cost or valuation   | (666)                   | (666)          | (1,539)                 | (1,539)        |
| <b>Cost of Valuation at 31 March</b>  | 906,809                 | 908,461        | 883,583                 | 884,966        |
| <b>Accumulated Depreciation and Impairment at 1 April</b>   | (11,793)                | (12,269)       | (11,502)                | (11,723)       |
| Depreciation Charge   | (12,332)                | (12,605)       | (12,015)                | (12,262)       |
| Depreciation written out to the Revaluation Reserve   | (9,054)                 | (9,054)        | 6,876                   | 6,876          |
| Depreciation written out to the Surplus/(Deficit) on the Provision of Services                      | 6,491                   | 6,491          | 4,849                   | 4,849          |
| Derecognition - Disposals   | 2,503                   | -              | -                       | -              |
| <b>Accumulated Depreciation and Impairment at 31 March</b>  | (24,185)                | (27,437)       | (11,793)                | (12,260)       |
| <b>Net Book Value at 31 March at 31 March</b>   | 882,624                 | 882,624        | 871,790                 | 872,705        |

#### G2 Short-Term Debtors

|                   | Balance as at<br>31 March 2020 |               | Balance as at<br>31 March 2019 |               |
|-------------------|--------------------------------|---------------|--------------------------------|---------------|
|                   | Harlow Council                 | Group         | Harlow Council                 | Group         |
|                   | £000s                          | £000s         | £000s                          | £000s         |
| Trade Receivables | 2,441                          | 4,458         | 4,984                          | 5,858         |
| Business Rates    | 3,853                          | 3,765         | 678                            | 678           |
| Housing Rents     | 3,876                          | 3,876         | 2,466                          | 2,466         |
| Council Tax       | 2,042                          | 2,042         | 1,755                          | 1,755         |
| Prepayments       | 96                             | 96            | 236                            | 236           |
| Related Parties   | 3,104                          | 3,104         | 167                            | 167           |
| Other Receivables | 36                             | 36            | 29                             | 29            |
| <b>Total</b>      | <b>15,448</b>                  | <b>17,377</b> | <b>10,315</b>                  | <b>11,189</b> |

## GROUP ACCOUNTS

### G3 Cash and Cash Equivalents

|   | Balance as at 31 March 2020 |               | Balance as at 31 March 2019 |               |
|---|-----------------------------|---------------|-----------------------------|---------------|
|   | Harlow Council              | Group         | Harlow Council              | Group         |
|   | £000s                       | £000s         | £000s                       | £000s         |
| Cash held                                       | 14                          | 14            | 14                          | 14            |
| Bank current accounts                           | 377                         | 2,630         | 1,273                       | 2,635         |
| Short term deposits with financial institutions | 22,110                      | 22,620        | 20,214                      | 20,720        |
| <b>Total</b>                                    | <b>22,501</b>               | <b>25,264</b> | <b>21,501</b>               | <b>23,369</b> |

### G4 Short-Term Creditors

|                     | Balance as at 31 March 2020 |               | Balance as at 31 March 2019 |               |
|---------------------|-----------------------------|---------------|-----------------------------|---------------|
|                     | Harlow Council              | Group         | Harlow Council              | Group         |
|                     | £000s                       | £000s         | £000s                       | £000s         |
| Trade Payables      | 8,055                       | 11,658        | 9,138                       | 11,557        |
| Receipts in advance | 3,417                       | 3,415         | 1,807                       | 1,807         |
| Related Parties     | 766                         | 766           | 3,771                       | 3,771         |
| Other Payables      | 222                         | 222           | 1,806                       | 1,806         |
| <b>Total</b>        | <b>12,460</b>               | <b>16,062</b> | <b>16,523</b>               | <b>18,942</b> |

### G5 Other Long-Term Liabilities

|                            | Balance as at 31 March 2020 |                 | Balance as at 31 March 2019 |                 |
|----------------------------|-----------------------------|-----------------|-----------------------------|-----------------|
|                            | Harlow Council              | Group           | Harlow Council              | Group           |
|                            | £000s                       | £000s           | £000s                       | £000s           |
| Pension Scheme Liabilities | (70,039)                    | (83,102)        | (78,182)                    | (91,356)        |
|                            | <b>(70,039)</b>             | <b>(83,102)</b> | <b>(78,182)</b>             | <b>(91,356)</b> |

**GROUP ACCOUNTS**

## G6 Unusable Reserves

|   | Balance as at<br>31 March 2020 |                | Balance as at<br>31 March 2019 |                |
|---|--------------------------------|----------------|--------------------------------|----------------|
|   | Harlow<br>Council<br>£000s     | Group<br>£000s | Harlow<br>Council<br>£000s     | Group<br>£000s |
| <b>Revaluation Balances</b>               |                                |                |                                |                |
| Revaluation Reserve                       | 434,258                        | 434,258        | 439,322                        | 439,322        |
| Financial Instruments Revaluation Reserve | (94)                           | (94)           | (39)                           | (39)           |
| <b>Adjustment Accounts</b>                |                                |                |                                |                |
| Capital Adjustment Account                | 205,442                        | 205,442        | 199,794                        | 199,794        |
| Financial Instruments Adjustment Account  | (2)                            | (2)            | (1)                            | (1)            |
| Deferred Capital Receipts                 | 734                            | 734            | 728                            | 728            |
| Pensions Reserve                          | (70,039)                       | (83,102)       | (78,182)                       | (91,356)       |
| Collection Fund Adjustment Account        | (3,294)                        | (3,294)        | (342)                          | (342)          |
| Accumulated Absences Account              | -                              | -              | (55)                           | (55)           |
| <b>Total Unusable Reserves</b>            | <b>567,005</b>                 | <b>553,942</b> | <b>561,225</b>                 | <b>548,051</b> |

## ***GLOSSARY OF TERMS AND ABBREVIATIONS***

### ***Glossary of Terms and Abbreviations***

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

#### **Accounting Period**

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%).

#### **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**

## ***GLOSSARY OF TERMS AND ABBREVIATIONS***

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.

### **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.

## ***GLOSSARY OF TERMS AND ABBREVIATIONS***

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.

### **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.

## ***GLOSSARY OF TERMS AND ABBREVIATIONS***

### **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.

### **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.

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## ***GLOSSARY OF TERMS AND ABBREVIATIONS***

### **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.

### **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.

## ***GLOSSARY OF TERMS AND ABBREVIATIONS***

### **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).

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# INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

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***INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE***

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

**The accounts are subject to audit.**

# ANNUAL GOVERNANCE STATEMENT

# Harlow Council - Annual Governance Statement 2019/20

## Scope of responsibility

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.

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.

The Council has adopted a code of corporate governance (last reviewed November 2019) 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*.

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.

## The purpose of the Governance Framework

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.

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.

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).

The Council's governance framework has been in place within the Council for the year ended 31 March 2020.

## The Governance Framework

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

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.

### **Review of effectiveness**

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

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 –third tier managers, in conjunction with their Head of Service, have completed a self-assessment covering the effectiveness of governance arrangements in their area. The self-assessments, which have been reviewed by Internal Audit, have been used to identify areas for improvement both at a service level and, where more than one service has identified an area for improvement; corporate actions have been added to the improvement plan covered in the next section.
- b) The Internal Audit Manager's annual opinion on the Council's control framework, delivered to the Audit and Standards Committee, as the body charged with governance.
- c) Based upon the results of work undertaken during the year it is the Internal Audit Manager's overall opinion that the Council has an adequate and effective governance, risk management and control framework for 2019/20. 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 2019/20 year. Where these exist, we have also used reports from other agencies and inspectorates.

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.

### **Impact of coronavirus on the Council's governance arrangements for 2019/20**

On 23 March 2020 the Prime Minister announced a national lockdown due to the coronavirus pandemic. This led to the majority of staff working from home and a temporary cessation

of Council meetings. Due to the outbreak the Council invoked its emergency powers under Part 3 (Part B, paragraph 1) of the Council's Constitution. This has allowed the Chief Executive, in consultation with the Leader of the Council, to carry out the functions of the Council and Cabinet.

Local authorities in England were granted new powers to hold public meetings virtually by using video or telephone conferencing technology from 04 April 2020. Since the end of April virtual meetings have been taking place for Harlow, which are open to the public. This includes those meetings deferred from the end of March/beginning of April including Cabinet and Council.

Key Council services, including all statutory ones, continued during lockdown although some processes were amended to allow for remote working, for example allowing approval by email instead of a wet signature and discussed with Internal Audit first.

### Overall opinion of Harlow's governance arrangements

The majority of 2019/20 was unaffected by coronavirus and this AGS demonstrates that the Council's governance arrangements have remained fit for purpose, even when flexed, for example by invoking the Council's emergency powers. There has been no significant detriment on the Council's ability to deliver its services. The longer term impact of coronavirus (and recovery) on the governance framework for 2020/21 is detailed in table two.

The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2019/20 through review of the assurance checklists and statements submitted by managers prior to lockdown. It has concluded that arrangements are fit for purpose and working effectively. As a result of this assessment, a small number of other governance issues have been identified and in order to further strengthen arrangements, as detailed in table two.

### 1. Governance Issues Identified

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:

**Table 1 – Progress on significant governance issues identified in the 2018/19 AGS**

| Significant issue identified in 2018/19 AGS  | Action taken in 2019/20 to address the issue   |
|--|--|
| 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. | 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 has been kept under review. The Shareholder Sub Committee will in due course be receiving a report on the creation of HTS (Housing and Regeneration) Company. |
| 2. Brexit: If there is a 'no deal' Brexit then this may impair the Council's strategic aims and objectives.  | The Head of Finance has been designated as the Council's 'Brexit' lead to work with central government.  |

|  |  |
|--|--|
|  | Consequences of the exit from the European Union are being monitored by SMB.   |
| Common theme from the Service Assurance Statements was:  |  |
| 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. | A fundamental review of risk management processes within the Council, including work around risk maturity and risk appetite is progressing well. Workshops have taken place to enable services to align their service plans and risks to their objectives and those in the corporate plan. |
| 4. Project management: Lack of corporate approach for projects.  | Project management processes and methodology have been reviewed, and being considered for inclusion within the In-Phase system.  |

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 2: Areas for improvement or monitoring during 2020/21**

| Key improvement/review area  | Action to be taken in 2020/21   |
|--|---|
| Risk Management and lessons learnt   | It is important that the Council continues to monitor (and where required) mitigate risks to the Council's objectives, not only those relating to coronavirus. This will be undertaken in conjunction with a lessons learnt review of the Council's response to coronavirus. And will include a review of the Council's local code of governance. |
| Financial resilience   | There will be close monitoring of budgets and a review of the Council's Medium Term Financial Strategy as the Council delivers its recovery plan.   |
| New ways of working  | As a result of coronavirus staff will be encouraged to work in a more agile (remote) way. Processes will be reviewed to ensure internal controls, especially where altered, are robust and fit for purpose. This will be undertaken in conjunction with a review of IT security and information governance arrangements.                          |
| Ensuring the health and safety of staff, partners and the public in the way it delivers its services | The Council will keep under constant review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance is being followed regarding Covid-19, especially where the Council is delivering its services.   |
| Common theme from the Service Assurance Statements were:   |   |
| Project management processes – corporate   | This will be progressed following Member approval of additional staff resource to help  |

| Key improvement/review area   | Action to be taken in 2020/21  |
|---|--|
| approach  | move this forward  |
| Staff resilience for small teams – ensuring adequate emergency cover for key roles and team development is difficult to achieve for smaller teams | This will be reviewed as part of the Council's Covid-19 recovery plan and lessons learnt process |

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

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

Signed:



Date: 26 August 2020

(Leader of the Council)

Signed:



Date: 26 August 2020

(Chief Executive)

APPENDIX 1

| INTEGRITY  | OPENNESS   | VISION   | OUTCOMES  | CAPACITY AND CAPABILITY  | RISK AND PERFORMANCE  | ACCOUNTABILITY  |
|--|--|--|---|--|---|---|
| Behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law.  | Ensure openness in its culture and engage comprehensively with stakeholders, citizens and service users.   | Have a clear vision and defined desired outcome in terms of sustainable, social and environmental benefit.   | Have in place interventions necessary to optimise the achievement of its intended outcomes.   | Develop the Council's capacity and capability of its leadership and staff  | Manage the Council's risk and performance through robust internal control and strong public finance management.   | Implement good practice in transparency, reporting and audit to deliver effective accountability.   |
| <b>Annual Governance Statement 2019/20</b>   |  |  |   |  |   |   |
| <ul style="list-style-type: none"> <li>• A robust whistleblowing policy and zero tolerance approach to fraud and corruption.</li> <li>• The Constitution sets out codes of conduct for Councillors and Officers.</li> <li>• The Constitution, which sets out decision making framework, gives clear definitions of roles and responsibilities and a protocol for how Councillors and Officers work together</li> </ul> | <ul style="list-style-type: none"> <li>• Leadership encourages open and supportive culture.</li> <li>• Standard committee report format and publicly available modern.gov system for reporting.</li> <li>• Strategy for encouraging stakeholder involvement.</li> <li>• Overview and Scrutiny Committee</li> </ul> | <ul style="list-style-type: none"> <li>• A new corporate plan 2020 to 2021 has been approved</li> <li>• Draft Local Plan that supports the Council's vision</li> <li>• Defined standards of customer service backed by a complaints procedure</li> </ul> | <ul style="list-style-type: none"> <li>• Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance</li> <li>• Decision making processes that receive objective and rigorous analysis including involvement of the Monitoring and Section 151 Officers</li> <li>• Anti-Fraud and Corruption Strategy</li> </ul> | <ul style="list-style-type: none"> <li>• A People Resources Plan (to be updated) to ensure that the Council has the staff, the skills, the knowledge, the facilities and the resources to meet legal requirements, its Vision and Corporate Plan.</li> <li>• The Council has an established induction and training programme for existing and new Councillors. This process includes mentoring and training events as and when identified</li> </ul> | <ul style="list-style-type: none"> <li>• A corporate Risk Strategy and toolkit.</li> <li>• A performance management framework which includes integrated performance and financial management report.</li> <li>• Medium Term Financial Strategy and integrated service planning approach</li> <li>• Internal Audit function to provide assurance on governance, risk management and control.</li> <li>• Audit and Standards Committee</li> </ul> | <ul style="list-style-type: none"> <li>• Accountability for decision making detailed within the Constitution</li> <li>• Reporting regularly on performance and use of resources.</li> <li>• Requirement for managers to produce annual assurance statements which feeds into the Annual Governance Statement</li> <li>• Processes to ensure internal and external audit recommendations are acted upon</li> </ul> |
| <ul style="list-style-type: none"> <li>• An active Corporate Governance Group which takes charge of the Annual Governance Statement.</li> </ul>  |  |  |   |  |   |   |

Statement of Accounts 2019/20

