

Statement of Accounts

For the year ended 31 March 2020



INTRODUCTION

This document contains the Statement of Accounts that the Council publishes in accordance with the Accounts and Audit Regulations 2015.

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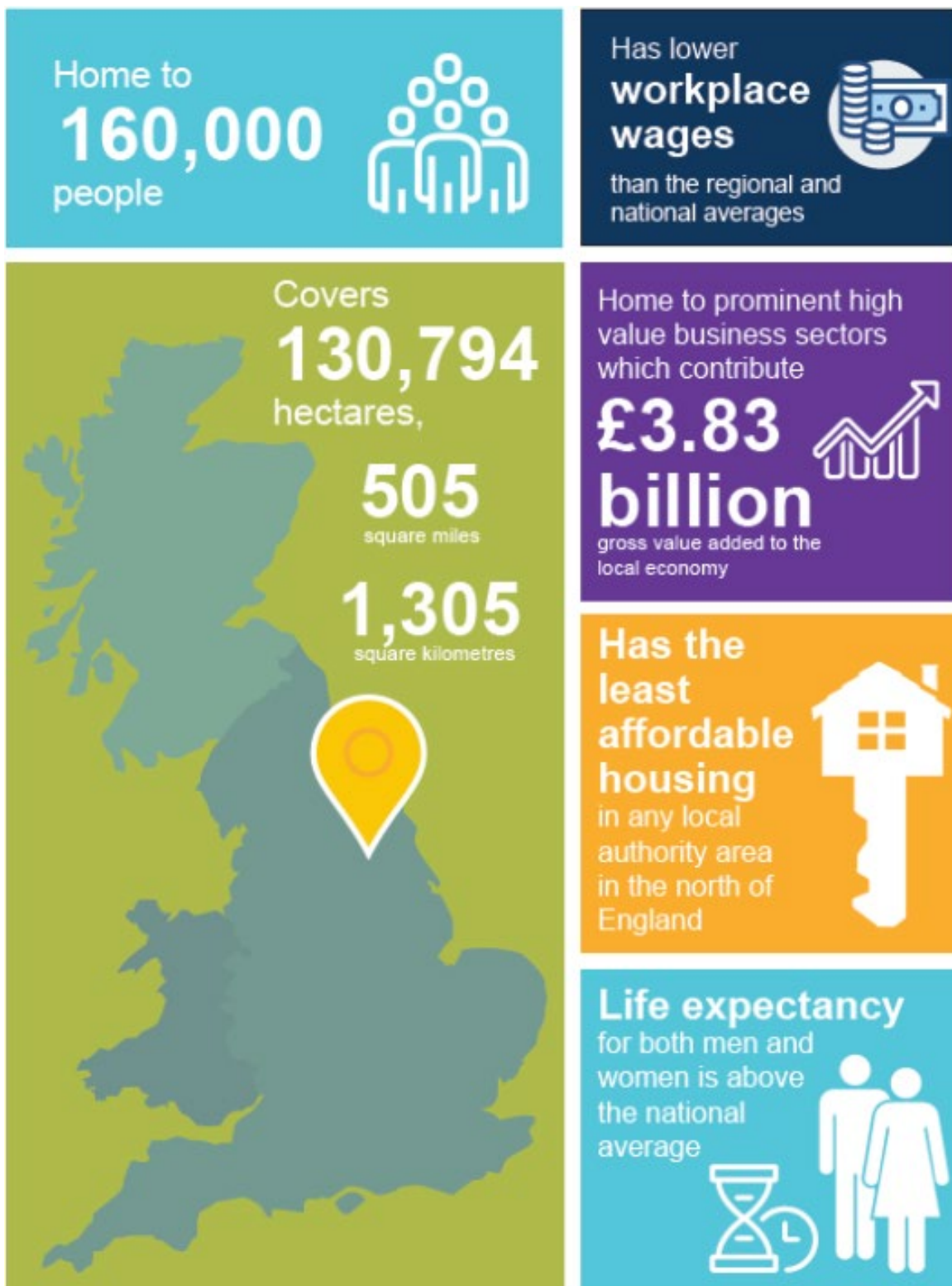
Appendix 1: Annual Governance Statement

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2020

The Harrogate District

Harrogate is a beautiful district in the county of North Yorkshire offering a superb quality of life. We have a strong local economy, low unemployment, unrivalled natural and built heritage, low levels of crime and excellent sporting and cultural opportunities. Key features of the district and the council include:



In a typical week, we:

Assist

4,900

people via email,
phone or online



Prevent

10 people

from becoming homeless



Complete **154** repairs in
the homes of our tenants



Welcome

3,770 visitors

to our tourist information centres
and information points

Collect

990 tonnes

of household waste



Process

980

benefit claims
and changes



Investigate **9** noise
complaints and...



...catch **2** stray dogs



Welcome

**1,370
visitors**

to our
museums and galleries
(virtually and in person)

Welcome

**14,000
people**

to our sport and
leisure facilities



Inspect **10 food
premises**



Deal with

82

local search and
land charges
requests



Review and process

**35 planning
applications**

Our corporate priorities and values are:



Our values

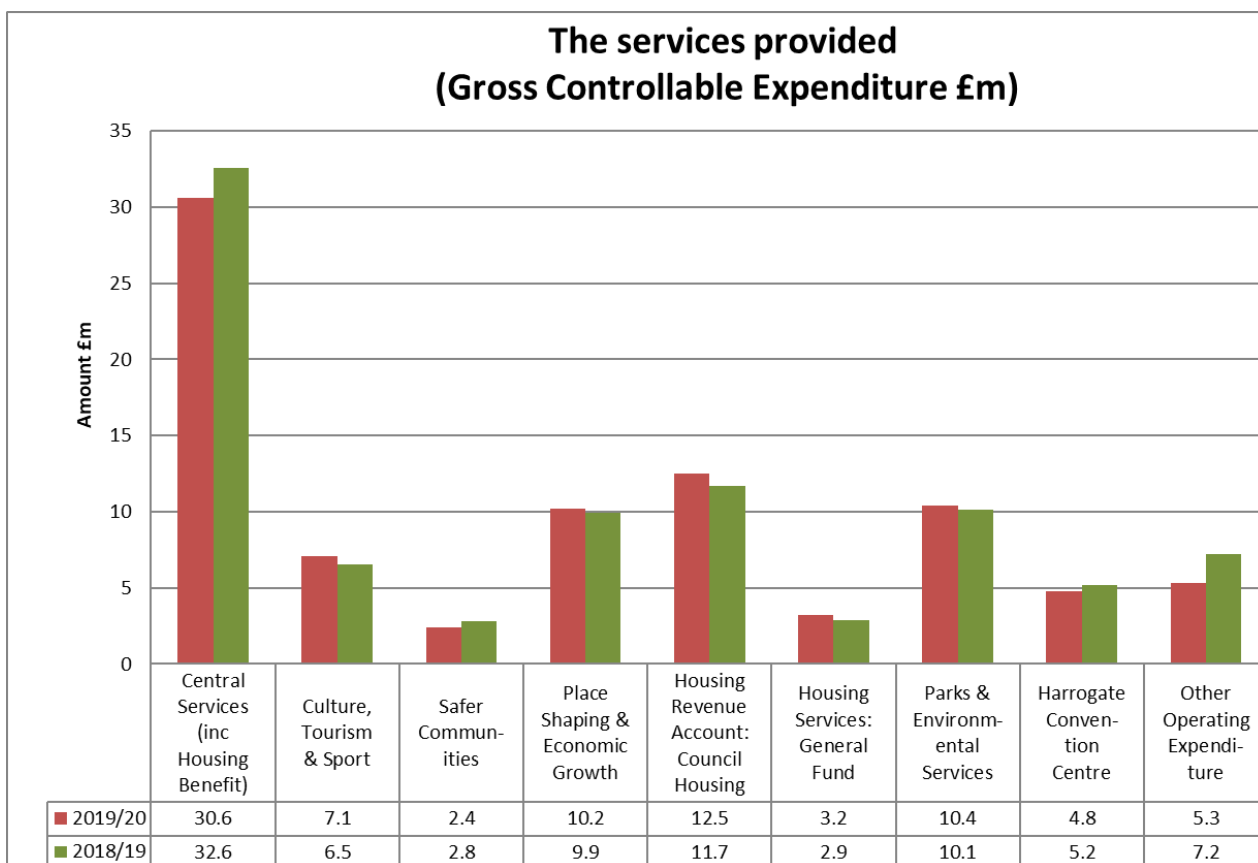
Our vision + our values + our behaviour = our responsibility

- *Delivering excellent customer service*
- *Taking responsibility*
- *Showing resilience*
- *Working together*
- *Leading by example*

HARROGATE BOROUGH COUNCIL

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Local Government service delivery in the district is split between Harrogate Borough Council (HBC) and North Yorkshire County Council (NYCC). NYCC are responsible for services such as social care, education and highways. The services provided by HBC are:



Central Services includes expenditure on housing benefit (£19.0m in 2019/20 and £20.8m in 2018/19) as well as the Information Communication & Technology, Legal, Finance and Organisational Development & Improvement services. These are largely 'back office' functions and support the other services that the Council provides, although included within here are services such as Revenues & Welfare and Elections.

Culture, Tourism and Sport includes recreation and sport, museums and arts and holiday tourism.

Safer Communities includes community safety including CCTV, licensing, food safety, environmental protection and car parking.

Place Shaping and Economic Growth includes forward planning, development control, building control, economic development and building maintenance.

Housing Services: Council Housing includes expenditure and income in relation to the Council's own housing stock, which is charged to a separate ring-fenced account called the Housing Revenue Account (HRA).

Housing Services: General Fund includes housing services provided to non-Council tenants, such as homelessness, housing advice and housing improvement grants.

Parks and Environmental Services includes open spaces, waste collection, recycling, cemeteries and crematoria, street cleansing and pest control.

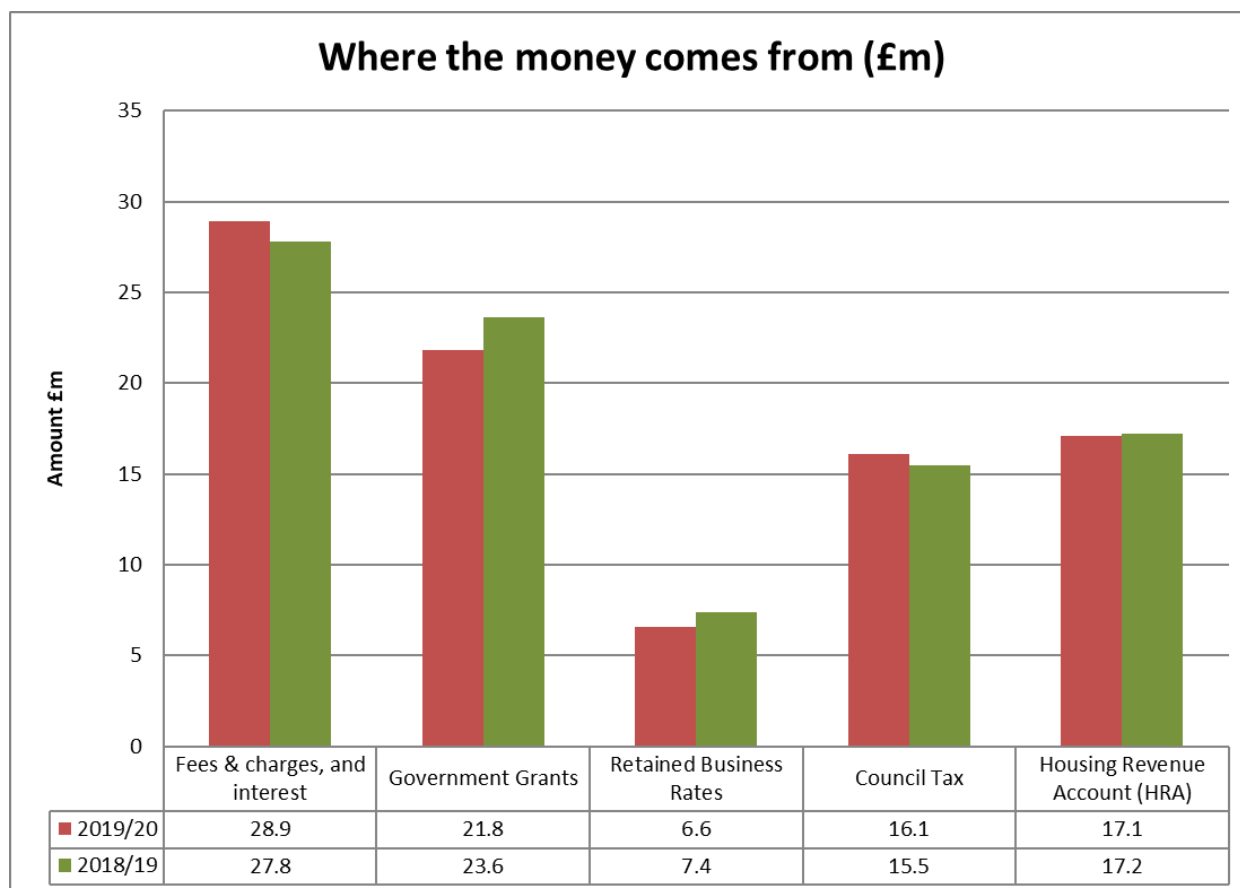
Harrogate Convention Centre includes services provided by the Convention Centre.

Other Operating Expenditure includes interest costs (including for the HRA), precept payments to Parishes and the contribution to the Government's Housing Capital Receipts Pool.

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2020

Funding comes from the following sources:



The table shows the importance of government grants, despite their continued reduction. That said, the majority of the grant figure (£19.0m in 2019/20 and £20.8m in 2018/19) relates to Housing Benefit grant.

In 2019/20 no Revenue Support Grant was received by the Council (£0 received in 2018/19).

New Homes Bonus grant totalled £1.2m in both 2019/20 and 2018/19 and is a key element of funding, but one that is not guaranteed beyond 2020/21.

Business rates income decreased slightly in 2019/20 as the Council moved from being part of a 100% retention pilot as part of a Leeds City Region (LCR) pool in 2018/19, to a 75% retention pilot in 2019/20 as part of a wider North and West Yorkshire (N&WY) pool. The opportunity to be part of the 100% pilot was only available for one year. Both pilots, however, meant that a significantly higher amount of business rates income was retained locally, both within the district and across the pool areas as a whole. In 2020/21, the Council will again be part of a North and West Yorkshire pool, but will return to the 'standard' 50% retention system. This will again lead to decreased local retention of business rates income.

It will be important to maximise the opportunities for generating sales income in order to mitigate against future funding cuts and to keep council tax as low as possible.

HARROGATE BOROUGH COUNCIL

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The **General Fund** budget for 2019/20 and a comparison with actual performance are set out below:

	Net Controllable Budget £000	Outturn £000	Variance £000
Community:			
Housing & Property	1,663	1,673	+10
Parks & Environmental Services	4,029	4,595	+566
Safer Communities	-1,593	-1,437	+156
Corporate Affairs:			
Finance	2,284	2,241	-43
Legal & Governance	2,146	2,059	-87
ICT	2,774	2,640	-134
Organisational Development & Improvement	2,021	1,924	-97
Economy & Culture:			
Culture, Tourism & Sport	468	573	+105
Place Shaping and Economic Growth	5,145	5,556	+411
Harrogate Convention Centre	-908	-997	-89
Treasury Management & Other Corporate Items	-1,110	-1,547	-437
Total Net GF Expenditure	16,919	17,280	+361
Funding	-16,919	-16,953	-34
Net Position	0	+327	+327

Overall, there was an overspend against budget of £327k. This compares to an underspend of £380k in 2018/19 and of £1.8m in 2017/18. However, the COVID-19 pandemic impacted on the Council towards the end of the financial year and accounts for an estimated £270k of the overspend. The largest variance was within Parks & Environmental Services which overspent significantly, primarily due to staffing related expenditure; an overspend on the use of temporary staff and in overtime, net of salary savings, together with the cost of a pay regrade for refuse drivers. Place Shaping & Economic Growth was also significantly over budget, primarily due to shortfalls in planning application and lease rental income. Safer Communities fell short of its parking income budget, in part because of the pandemic. Within Culture, Tourism & Sport, income fell short of expectations across a number of areas, most notably at the swimming pools, although facility closures due to the pandemic late in the year contributed to this shortfall. The savings within Treasury Management primarily relate to business rates levy and grant income, together with an increase in interest received. The largest element of the ICT underspend is due to revenue savings arising from deferment in the capital programme. Despite a net cost to the Harrogate Convention Centre because of the pandemic affecting lettings income late in the year, there is an underspend due to a combination of staffing savings and increased ancillary income. Salary savings were made in both Organisational Development & Improvement and in Legal & Governance due to a number of vacancies in the services. Of the £327k overspend, funding of £130k has been transferred from service reserves, with the remainder being transferred from the General Fund working balance. More detail can be found in the '2019/20 Year end Finance and Performance report', which was published in July 2020.

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NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2020

The **Housing Revenue Account** budget for 2019/20 and a comparison with actual performance are set out below:

	Net budget	Outturn	Variance
	£'000	£'000	£'000
Expenditure	18,591	14,632	-3,959
Income	-17,756	-17,724	32
Net Expenditure	835	-3,092	-3,927
Working Balance:			
Brought forward	18,137	22,161	4,024
Carried forward	17,302	25,253	7,951

Expenditure was significantly lower than budget, primarily because the contribution to capital expenditure was reduced by £3.8m due to a reduction in the planned maintenance programme, the redevelopment scheme at Allhallowgate being altered and some of the construction costs for the temporary accommodation at Spa Lane being moved to 2020/21.

Income was in line with budget, with only small variances.

The HRA working balance carried forward is £25.3m, in preparation for repaying in 2021/22 £15m of loan funding that was taken out to fund the self-financing payment to Government in 2012.

Capital

In 2019/20 the Council spent £15.2m on capital projects compared with the original overall budget of £23.2m. Of this total, Housing capital spending for 2019/20 was £7.6m compared to a budget of £12.1m, a net reduction of £4.5m. Of this, £2.6m was due to the changes to the redevelopment at Allhallowgate in Ripon and £0.9m of the budget for constructing the temporary accommodation facility at Spa Lane, Starbeck is being carried forward to 2020/21. Contingency budget of £0.8m within the planned maintenance programme was not required. Work completed in the year included the annual programme of planned maintenance and upgrades, together with a number of property purchases to add to both the social and shared ownership stock. The programme of building new homes to add to the social housing stock continued, with three dwellings completed in the year.

Capital spending on non-housing schemes was £7.6m, compared to an original budget of £11.1m. Included within this variance of £3.5m was £1.6m of expenditure on the new swimming pool in Ripon being carried forward to 2020/21, along with £1.2m for the replacement cremators at Stonefall crematorium. The major areas of expenditure in the year included the swimming pool at Ripon (£2.8m), vehicle replacements (£1.6m), IT hardware and software (£0.7m), and refurbishment works at Conyngham Hall (£0.4m).

Capital receipts from asset sales during the year totalled £6.9m. £4.0m of this related to the sale of the former Council offices at Crescent Gardens. £2.1m related to Council dwelling sales within the HRA, and there was an additional £0.7m of shared ownership property sales. Of the HRA receipts, £0.8m was paid over to the Government in line with the pooling requirements. The other non-housing-related sales in the year related to a piece of land at Abbey Road, Knaresborough, and the sale of a street cleaning vehicle.

Financial performance and the Covid-19 pandemic

The financial performance in the year was encouraging for the HRA, but 2019/20 saw the General Fund in the unusual position of being overspent against budget. Although the majority of the overspend was due to the impact of the early stages of the Covid-19 pandemic, the position highlights the financial challenges that are facing the Council, even before the impact of the pandemic is considered. Clearly the Covid-19 pandemic

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NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2020

is unprecedented and the impact on the Council's finances is still difficult to estimate, whilst the non-financial impacts have also been far reaching.

As we moved into the 2020/21 financial year, very quickly the Council had to adapt to operating in some very different ways in order to continue to provide the high level of services that the public expect. In some cases this simply wasn't possible, as leisure facilities, for example, were closed due to the lockdown and the Harrogate Convention Centre has been converted into a Nightingale Hospital. However, where possible, staff were redeployed in order to keep other front-line services, such as refuse and recycling collection, operating 'as normal' despite the difficulties posed by social distancing requirements. Staff were also redeployed as part of the Council's response to support the community across the district. By June 2020, redeployed staff were making an average of 1,500 welfare telephone calls per week to members of the community who were shielding. Additional support was also provided to individuals who were rough sleeping at the time of the outbreak of the pandemic. The Council has worked, and will continue to work, extensively with partner organisations, including North Yorkshire County Council and voluntary and community sector organisations.

The Government announced significant financial support to businesses soon after the pandemic took hold. Very quickly, processes were put in place in order to distribute almost £50m of grants to nearly 4,000 businesses across the district. A £2.4m discretionary grant scheme has followed on from this, whilst business rates relief totalling over £34m has been given to over 1,200 businesses across the district. The Council has also been working closely with businesses, to help them to stay open or re-open safely.

The situation continues to develop and the response of the Council will continue to evolve in order to most effectively support residents and businesses across the district. Going forward, work will take place to reshape our town centres to make them sustainable, safe and welcoming spaces, whilst maximising the economic use of our public spaces. Accelerating the delivery of high quality homes and jobs across the district will be key.

In terms of the financial impact upon the Council itself, by far the largest impact is in terms of lost income, primarily from the Harrogate Convention Centre, leisure sites and car parking, together with business rates. In April 2020 alone, the value of lost income was approximately £1.3m. As the pandemic has progressed, the Government has announced a number of tranches of grant funding for local authorities. By the end of July, the Council had been allocated £1.86m in grant funding. The Government also recently announced a further support package to compensate authorities for 75% of lost sales, fees and charges income, over and above an initial 5% threshold. Details of the support have yet to be received but this will be a key source of income for the Council, as sales, fees & charge income is such an important part of the Council's budget, as shown by the table on page 5 of this narrative report.

Clearly there will still be an impact on the Council's finances, both in the immediate term and in the medium to long-term as residents and businesses adapt to 'the new normal' following the pandemic. The impact is still very difficult to estimate with confidence, as the situation continues to change rapidly and it can take time for the true picture to become clear in terms of council tax and business rates income in particular. However, the Council is relatively well-placed to deal with the financial fallout of the pandemic. Reserve levels are significant and cash balances are relatively high. Investments are being kept relatively liquid in order to mitigate against the shortfalls in income being generated by Council services. Whilst income to the Council has been falling, we have been making payments to suppliers as quickly as possible in order to support businesses and individuals. Cash flow is being monitored carefully to ensure that funds are available when they are required.

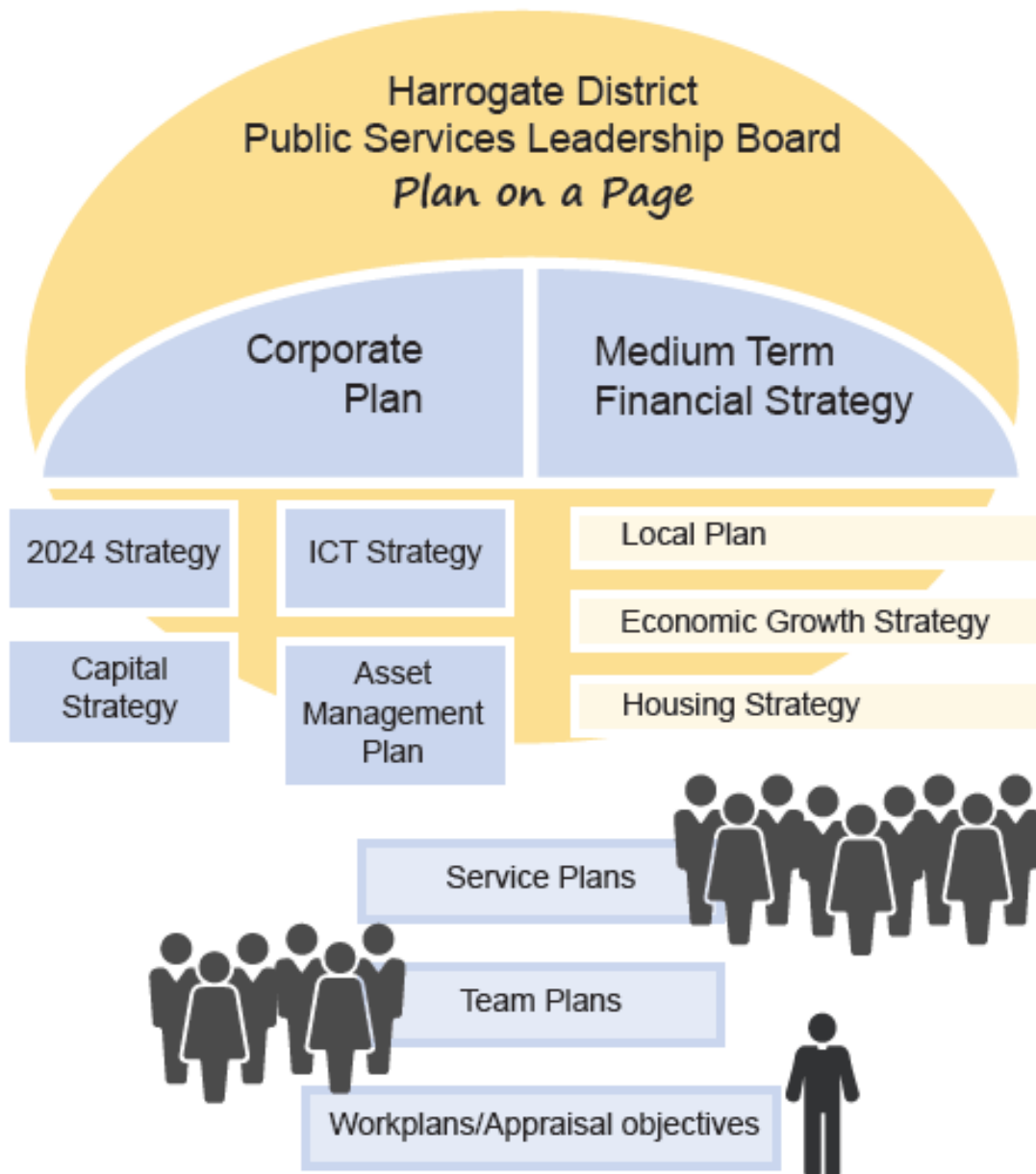
A financial recovery plan has been established and will continue to be updated as the financial impact of the pandemic becomes clearer and further support measures are provided by the Government. A number of measures have been put in place. Non-essential expenditure, both revenue and capital, is being constrained and a review of reserve balances is being carried out. The Council's capital and investment programme has been carefully reviewed in order to minimise and/or postpone expenditure where possible, but with an eye on proceeding with projects that will support the recovery of the Council and the district. The longer the

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2020

impacts of the pandemic are felt, the more difficult it will be to find savings, as maintenance and investment will still be needed. The value and duration of Government financial support will be key to the financial choices that the Council will have to make.

The Medium Term Financial Strategy (MTFS) was updated over the summer of 2020 and sets out the latest position in terms of the upcoming financial challenges and risks, together with the latest proposals as to how to overcome them. The MTFS is just one element of the strategic planning process, which is set out below:

How our STRATEGIES AND PLANS fit together



NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2020

In 2018/19 the Council adopted an updated transformation programme – the 2024 programme. The programme has made a number of significant achievements in the past two years, including:

- Completion of a new civic centre and successful relocation of 500 staff and customer facing services
- Achieving projected income in excess of £2.5m through the commercialism agenda
- Development of an award winning website
- Over 26,000 online accounts set up by customers
- Roll out of a leadership and management programme to increase skills and effectiveness of senior managers
- Embedding of new standards of behaviour and staff recognition programmes

The *2024 Programme* is addressing the challenges and opportunities now facing the Council, including:

Challenges:

- **Funding** – there is significant uncertainty over future funding levels, with a Fair Funding Review due to implement new baseline funding allocations for local authorities from 2022/23
- **Ageing workforce** – the Council must address how it will retain knowledge and experience as a significant proportion of the workforce approaches retirement age
- **Technological change** – ensuring that the council has the capacity to invest in and implement infrastructure change, in order to operate efficiently and to meet customer needs

More widely, the district faces key challenges including:

- **Ageing population** – the number of people aged over 65 is forecast to increase by 49% by 2035
- **Economic growth** – the district is forecast to grow more slowly than the wider Leeds City Region over the next five years
- **Transport** – ongoing issues with road and rail connectivity and traffic congestion
- **Housing** - high cost of renting and purchasing housing, with a limited supply of affordable housing

Opportunities:

- **Income generation** – commercial opportunities, including the Turkish Baths and Convention Centre
- **Alternative service delivery models** – to maximise commercial opportunities
- **Digitisation** – improved and quicker communications with customers

Local Government Reorganisation (LGR) will also potentially have a major impact on the Council within the next couple of years. From mid-February to mid-April 2021, the Government is consulting on two potential options for reorganising local government across North Yorkshire; the first would see North Yorkshire County Council combine with all of the districts in the county to form a very large unitary authority; the second would see authorities in the county split on an east/west basis, forming two unitary authorities that would cover the county as a whole, including the City of York (which would remain separate and unchanged under the first option). The Government will then take a decision as to which structure of local government best meets the needs of North Yorkshire. If either of the proposed models is implemented, Harrogate Borough Council would cease to exist and a new unitary authority would serve the district.

Financial and Service Performance

In planning to meet these challenges and to take advantage of these opportunities, the Council recognises that an integration of financial and service performance is key. Each year, in order to present a balanced budget, each service has to critically review its spending and service delivery in order to make budgetary savings whilst continuing to provide services of the same or improved standard, meaning that there is an on-going commitment to increasing the economy, efficiency and effectiveness across all service areas.

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2020

The Council's service planning arrangements are integrated with its financial management arrangements. A strategic approach is taken to service and financial planning during the Performance Clinic process in which the budgets and performance of each service are scrutinised by Management Board. Integrated finance and performance monitoring reports are taken to Management Board on a monthly basis and go forward to Cabinet each quarter. In 2018/19, additional quarterly Management Board performance and finance meetings were introduced to allow for detailed discussions on any areas of concern in order to identify further support required by services.

The Council produces an annual delivery plan to deliver its Corporate Plan – the actions and performance indicators in the annual delivery plan can change on an annual basis in order to ensure we are focusing on our priority areas. On presentation of the year-end performance report for 2019/20, Management Board were pleased with the overall performance during the year, especially in the context of the ongoing difficult financial climate, and asked that staff be congratulated for this. Management Board acknowledged that some areas had not met target, but good progress had been made when compared with previous years across a number of indicators. Towards the end of Quarter 4 we began to see the early impact of customer anxiety and the lockdown impacting on performance. It is recognised this impacted those actions which require people to work on site as well as exacerbating already off target performance indicators, such as the leisure attendances.

No areas were off target, however there were some areas of concern. These have been impacted by the coronavirus pandemic and as such mitigation will be difficult:

- Sport & Leisure attendances
- Number of new homes built by the Council
- Average length of stay in temporary hostel accommodation
- Deliver Spa Lane development

Key outcomes achieved in 2019/20 were (note that green text indicates areas that are on target, whilst amber text indicates areas of concern):

- We are continuing to *increase the contribution that tourism makes to the local economy*; we hosted the UCI Road World Championship cycling races in September 2019. Following months of careful preparation, the prestigious event brought £17.8 million to the local economy from nearly 300,000 attendances over nine days. An Events Strategy, focussed on making Harrogate the Events Destination of the North, has been drafted and is due to be presented for approval to the Council's 2024 Programme Board.
- We have successfully *adopted a local plan to set out where new housing will be built, and employment created, over the next two decades*; full Council adopted The Local Plan in March. Work has recommenced on the New Settlement Development Plan Documents and an Engagement Strategy is being prepared. Regulation 18 consultation will take place later this year. The inspector's fact check report is received regarding Community Infrastructure Levy - we expect to receive the final report in the coming weeks.
- We have been *working in partnership to address current and future operational barriers to business growth by securing investment and improvements in digital infrastructure*; market engagement has been carried out in relation to town centre wifi, with NYCC/HBC continuing the procurement gateway process (led by NYCC). Procurement to commence at the appropriate time post-coronavirus pandemic restrictions. Over two to three years, thousands of homes in Harrogate, Knaresborough and Ripon will be upgraded with fibre connections. The build has finished in Bilton (circa 3,700 homes) and moved to Starbeck. The build programme to connect public sector sites has begun. As of 19th May around 13km of fibre has been laid in/around Harrogate/Knaresborough – of the 38km required in total. This is due for completion in October 2020. The build in Ripon is due to commence in summer 2020. This new infrastructure will support roll out of fibre services to homes/businesses.
- As a thriving district council, *we continue to find innovative and effective ways to manage our resources whilst ensuring they reflect our priorities*; the Council's commercial activities are progressing and there are a number of completed actions within the delivery plan report. These include: develop a pipeline of homes to be delivered via Bracewell Homes (the Council's wholly-owned company), review of property funds and implement the recommendations from the Strategic Assets Review. The CCTV service has also

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been reconfigured to reflect the reduced budget and a project is ongoing to look at the Council's CCTV and wider security requirements. Progress on reviewing the development strategy for the Turkish Baths has been paused as a result of the pandemic.

- We have made good progress on *encouraging more of us to re-use or recycle the household waste we produce* with recycling rates for the year above target at 44.46%, improving on last year's figure of 40.14%. We have also successfully reduced the amount of waste not sent for reuse, recycling or composting to 29,580 tonnes, down from 31,307 tonnes in 2018/19. We have issued a questionnaire to the Pateley Bridge area to establish what recycling facilities they use to inform any future changes to the service.
- We are proactively *dealing with the problems associated with traffic congestion and poor air quality in the district*; work continues on all actions of the Ultra-Low Emission Vehicle Strategy but with a focus on rolling out Electric Vehicle charging points across the district. This large, complex piece of work will potentially require a significant investment. Therefore, work is also ongoing to identify external funding sources. The coronavirus pandemic has put new emphasis on sustainable transport methods and as such we are working closely with NYCC in order to put in place temporary and potentially more permanent measures to support sustainable transport. The proposed car parking strategy has had to be deferred as a result of the coronavirus pandemic, current government guidance concerning parking and lockdown. The focus now and for the foreseeable future will need to concentrate on a parking recovery plan aligned with the national conditional transition plan.
- Progress is being made to *ensure people have the opportunity to live and work in the district because they have access to high-quality housing which meets their needs and matches their income level* with the number of affordable homes delivered this year well above target, with the total of 345 homes exceeding the annual target of 250. However, in the final quarter, the team have not delivered any new homes directly, the three that were meant to be delivered in Q4 having been suspended for the duration of the pandemic. This means that this year we built three new houses against a target of seven. The housing development company returned an income to the Council a year in advance of when it was budgeted to do so. The Housing Strategy has been approved by Cabinet and Council. Preparations are still underway for refurbishment of the existing block at Allhallowgate; the future of the vacant site is still under consideration. Lots of activity is also underway in implementing the Housing Delivery Action Plan, including funding secured from the Local Government Association to employ external expertise to look at how we engage and work with small and medium-sized enterprises to help bring forward small housing sites.
- *Working together to halve rough sleeping, prevent and reduce homelessness and assist homeless households in finding long term affordable and sustainable housing* is making good progress with the average length of stay in temporary Bed & Breakfast accommodation below target at 2.82 weeks. The average length of stay in hostel accommodation performed worse than target this year at 14.6 weeks compared to a target of 12 weeks. This is significantly worse than 2018/19 performance of a 6 week average. This is because in Q4, the figure increased significantly, reflecting how several customers had long stays in our hostels because they were not deemed to be ready for 'move-on' accommodation. We expect that the figures in the early part of 2020/21 will remain high due to the inability to move current residents into new accommodation during the coronavirus pandemic lockdown. The number of households living in temporary accommodation at year-end is 51, which continues to be below target of 60. First year of the Empty Homes Strategy Action Plan progressed well: all properties that have been empty for two or more years were scored and prioritised and contact has been made with all properties and correspondence established with most attempting to establish dates of occupation. At least 111 properties that have been contacted are now occupied. Enforcement action has started on seven properties. One has accepted the offer to purchase it and it is now being resold, two more are awaiting approval from Cabinet to pursue a Compulsory Purchase Order and the remaining four will receive enforcement action after approval of the first two. The new Empty Homes Loan initiative is almost ready to go live. Work on the Spa Lane temporary accommodation site has been impacted by coronavirus pandemic restrictions, such that the original completion date for the property will not now be met; a new completion target will be set once the full implications of the shutdown are known.

HARROGATE BOROUGH COUNCIL

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More detail regarding the Council's performance during the year can be found in the Council's annual report, which can be found here:

<https://www.harrogate.gov.uk/downloads/file/2833/annual-report-2020>

Also, our Corporate Performance Report 2019/20 can be found here:

<https://democracy.harrogate.gov.uk/ieListDocuments.aspx?CId=137&MId=3324&Ver=4>

Planned Future Developments in Service Delivery

The Council is continuing to pursue its comprehensive programme of innovation and business transformation, designed to reduce costs, improve services, drive cultural change and place the customer at the heart of everything that we do. The *2024 Programme* is focusing on four areas of activity:

- Sustainable Harrogate – using our assets and powers to support economic growth and the provision of affordable housing
- Destination Harrogate – promoting Harrogate as an events destination in order to support the visitor economy
- Digital Harrogate – improving our communications through the use of digital and social media; and harnessing digital technology advances to improve access to services, reduce isolation and improve the effectiveness of the Council
- Commercial Harrogate – making the best use of resources by pursuing commercial opportunities and making efficiencies

Our approach to transformation enables the Council to continue to improve its services whilst ensuring that the financial footing of the Council remains solid.

Further information

The following documents are all available on our website (www.harrogate.gov.uk):

District Profile – sets out the context for our plans, detailing information about our district and residents

Corporate Plan and Delivery Plan – the Corporate Plan sets out our ambitions, corporate priorities and values. Each year we publish our Delivery Plan alongside the Corporate Plan, which details what we will do, what our targets are and how we will measure these

Medium Term Financial Strategy – sets out how we plan to manage our finances and how we can more closely align resource to the priorities set out in our key strategic planning documents

2024 Programme – is our integrated transformation and organisational development strategy, setting out our ambition for the Council

The Financial Statements

The Council's Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2020. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which in turn is underpinned by International Financial Reporting Standards.

The **Core Statements** are:

- the **Statement of Responsibilities for the Statement of Accounts** – which explains both the Council's and Head of Finance's responsibilities in respect of the Statement of Accounts.
- the **Movement in Reserves Statement** – this Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. 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 Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings 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.
- the **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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- the **Balance Sheet** – the Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves consists of those that the Council is not able to use to provide services. This includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- the **Cash Flow Statement** – the Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- the **Notes to the Financial Statements** – the notes to the accounts disclose the information required by the CIPFA Accounting Code of Practice on Local Authority Accounting that is not presented elsewhere in the financial statements and which is relevant to the understanding of them.

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2020

The **Supplementary Financial Statements** are:

- the **Movement on the Housing Revenue Account (HRA) Statement** – which shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the HRA Balance for the year.
- the **Housing Revenue Account Income and Expenditure Statement** – this Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.
- the **Collection Fund (England) Statement** – this is an agent’s statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Supporting Statements

- the **Annual Governance Statement (Appendix 1)** which explains how the Council maintains an effective system of internal financial control.

Further Information

Further information about the accounts is available from the Corporate Finance team at Finance, Harrogate Borough Council, PO Box 787, Harrogate HG1 9RW, telephone (01423) 500600 or email corporate.finance@harrogate.gov.uk.

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Council’s website.

HARROGATE BOROUGH COUNCIL

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH
2020**

The Authority's Responsibilities

The Authority 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 authority, that officer is the Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

The Head of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Statement by the Head of Finance

I certify that this Statement of Accounts presents a true and fair view of the financial position of Harrogate Borough Council at 31 March 2020 and its income and expenditure for the year then ended.

Paul Foster CPFA, Head of Finance -----
22 March 2021

APPROVAL BY CHAIR OF AUDIT & GOVERNANCE COMMITTEE

This Statement of Accounts was approved by a resolution of the Audit & Governance Committee of Harrogate Borough Council on 22 March 2021.

Councillor S Jackson, Chair of Audit & Governance Committee -----
22 March 2021

HARROGATE BOROUGH COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	Capital Receipts Reserve £'000	HRA Major Repairs Reserve £'000	Earmarked GF Reserves £'000 Note 7	Capital Grants Unapplied £'000	General Fund Balance £'000	Housing Revenue Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000 Note 16	Total Reserves £'000
Balance at 31 March 2019	5,822	976	23,623	2,968	2,657	22,161	58,207	270,521	328,728
Movement in Reserves during 2019/20									
Total Comprehensive Income and Expenditure	0	0	0	0	-5,452	6,034	582	3,930	4,512
Adjustments between accounting basis and funding basis under regulations:									
Depreciation, impairment and revaluation losses of non-current assets	0	0	0	0	2,779	2,208	4,987	-4,987	0
Amortisation of intangible assets	0	0	0	0	83	0	83	-83	0
Transfer of amount equivalent to depreciation from HRA to MRR	0	4,676	0	0	0	-4,676	0	0	0
Movements in the fair value of investment properties	0	0	0	0	1,372	0	1,372	-1,372	0
Capital grants and contributions credited to the CI&E Statement	0	0	0	1,247	-1,247	0	0	0	0
Net gain or loss on sale or derecognition of non-current assets	6,878	0	0	0	1,528	-948	7,458	-7,458	0
Transfer to/from Deferred Capital Receipts	0	0	0	0	15	0	15	-15	0
Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under pension scheme regulations	0	0	0	0	4,710	473	5,183	-5,183	0
Amount by which Council Tax/NDR Income taken to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	-1,044	0	-1,044	1,044	0
Amount by which short term accumulated absences charged to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	8	0	8	-8	0
Movement in fair value of pooled investment funds	0	0	0	0	35	0	35	-35	0
Statutory Provision for repayment of Principal	0	0	0	0	-767	0	-767	767	0
Capital expenditure charged to the General Fund/HRA Balances	0	0	0	0	-1,864	0	-1,864	1,864	0
Transfer from Capital Receipts Reserve equal to amount payable to Housing Receipts Pool	-792	0	0	0	792	0	0	0	0
Usable Reserves used to Finance Capital Expenditure	-3,929	-4,314	0	-901	0	0	-9,144	9,144	0
Net Increase/Decrease(-) before transfers to Earmarked Reserve	2,157	362	0	346	948	3,092	6,905	-2,393	4,512
Transfers to/from(-) Earmarked Reserves	0	0	1,303	0	-1,303	0	0	0	0
Increase /Decrease(-) in year	2,157	362	1,303	346	-355	3,092	6,905	-2,393	4,512
Balance at 31 March 2020 carried forward	7,979	1,338	24,926	3,314	2,302	25,253	65,112	268,128	333,240

HARROGATE BOROUGH COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	Capital Receipts Reserve £'000	HRA Major Repairs Reserve £'000	Earmarked GF Reserves £'000 Note 7	Capital Grants Unapplied £'000	General Fund Balance £'000	Housing Revenue Account £'000 Restated*	Total Usable Reserves £'000 Restated*	Unusable Reserves £'000 Restated* Note 16	Total Reserves £'000 Restated*
Balance at 31 March 2018	4,904	1,665	23,916	2,708	3,785	18,137	55,115	260,435	315,550
Movement in Reserves during 2018/19									
Total Comprehensive Income and Expenditure	0	0	0	0	-4,538	4,920	382	12,796	13,178
Adjustments between accounting basis and funding basis under regulations:									
Depreciation, impairment and revaluation losses of non-current assets	0	0	0	0	4,072	5,285	9,357	-9,357	0
Amortisation of intangible assets	0	0	0	0	21	0	21	-21	0
Transfer of amount equivalent to depreciation from HRA to MRR	0	4,594	0	0	0	-4,594	0	0	0
Movements in the fair value of investment properties	0	0	0	0	266	0	266	-266	0
Capital grants and contributions credited to the CI&E Statement	0	0	0	2,250	-2,250	0	0	0	0
Net gain or loss on sale or derecognition of non-current assets	4,526	0	0	0	-529	-1,678	2,319	-2,319	0
Transfer to/from Deferred Capital Receipts	0	0	0	0	26	0	26	-26	0
Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under pension scheme regulations	0	0	0	0	5,676	92	5,768	-5,768	0
Amount by which Council Tax/NDR Income taken to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	-272	0	-272	272	0
Amount by which short term accumulated absences charged to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	11	0	11	-11	0
Statutory Provision for repayment of Principal	0	0	0	0	-798	0	-798	798	0
Capital expenditure charged to the General Fund/HRA Balances	0	0	0	0	-3,904	0	-3,904	3,904	0
Transfer from Capital Receipts Reserve equal to amount payable to Housing Receipts Pool	-797	0	0	0	797	0	0	0	0
Usable Reserves used to Finance Capital Expenditure	-2,811	-5,283	0	-1,990	0	0	-10,084	10,084	0
Net Increase/Decrease(-) before transfers to Earmarked Reserve	918	-689	0	260	-1,421	4,024	3,092	10,086	13,178
Transfers to/from(-) Earmarked Reserves	0	0	-293	0	293	0	0	0	0
Increase/Decrease(-) in year	918	-689	-293	260	-1,128	4,024	3,092	10,086	13,178
Balance at 31 March 2019 carried forward	5,822	976	23,623	2,968	2,657	22,161	58,207	270,521	328,728

* See note 30

HARROGATE BOROUGH COUNCIL

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	2019/20 Expenditure £'000	2019/20 Income £'000	2019/20 Net Cost £'000	2018/19 Expenditure £'000 Restated**	2018/19 Income £'000 Restated**	2018/19 Net Cost £'000 Restated**
<i>Housing General Fund</i>	3,322	-1,285	2,037	2,908	-1,179	1,729
<i>Parks & Environmental Services</i>	12,761	-5,949	6,812	11,383	-5,931	5,452
<i>Safer Communities</i>	2,922	-3,949	-1,027	3,098	-4,088	-990
<i>Finance</i>	22,911	-20,470	2,441	24,670	-22,228	2,442
<i>Legal & Governance</i>	3,353	-649	2,704	3,257	-185	3,072
<i>Information, Communications & Technology</i>	2,890	-33	2,857	2,765	0	2,765
<i>Organisational Development & Improvement</i>	2,167	-16	2,151	1,990	-61	1,929
<i>Culture, Tourism & Sport</i>	8,448	-6,179	2,269	7,449	-5,374	2,075
<i>Place Shaping & Economic Growth</i>	11,134	-4,616	6,518	11,297	-5,559	5,738
<i>Harrogate Convention Centre</i>	4,625	-5,234	-609	5,313	-4,615	698
<i>Corporate</i>	758	-281	477	4,660	-281	4,379
<i>Housing Revenue Account</i>	10,531	-17,067	-6,536	12,508	-17,244	-4,736
Cost of Services	85,822	-65,728	20,094	91,297	-66,744	24,553
Other Operating Expenditure						
Parish Precepts	1,085	0	1,085	941	0	941
Contribution to Housing Pooled Capital Receipts	792	0	792	797	0	797
Gain(-) or loss on disposal of Non-current assets	559	0	559	0	-2,230	-2,230
Financing & Investment Income & Expenditure						
External Interest Payments (note 11b)	1,588	0	1,588	1,589	0	1,589
Net Interest on the Net Defined Benefit Liability (Asset) (note 26)	815	0	815	941	0	941
External Interest Income (note 11b)	0	-623	-623	0	-372	-372
Movement in fair value of financial assets (note 11)	35	0	35	0	0	0
Investment Property I&E and changes in fair value (note 10)	1,372	84	1,456	266	-315	-49
Taxation and Non Specific Grant Income						
Income from Council Tax	0	-16,181	-16,181	0	-15,410	-15,410
Capital Grant Income (note 21)	0	-1,247	-1,247	0	-2,250	-2,250
Other Non-ringfenced Government Grants (note 21)	0	-6,053	-6,053	0	-6,995	-6,995
Revenue Support Grant	0	0	0	0	0	0
Non-Domestic Rates Income and Expenditure *	31,223	-34,125	-2,902	54,598	-56,494	-1,896
Surplus(-) or Deficit on the Provision of Services	123,291	-123,873	-582	150,429	-150,811	-382
Surplus(-) or Deficit on the Revaluation of Non-current Assets			1,063			-2,965
Remeasurements pension assets/liabilities (note 26)			-4,993			-9,831
Other Comprehensive Income & Expenditure			-3,930			-12,796
Total Comprehensive Income & Expenditure			-4,512			-13,178

* In 2018/19, the Council was part of the Leeds City Region 100% business rates retention pilot, which meant that the income retained by the Council, and the tariff payable by the Council, were significantly higher than they were in 2019/20, when the Council was part of the North and West Yorkshire 75% business rate retention pilot.

** See note 30

HARROGATE BOROUGH COUNCIL
BALANCE SHEET AS AT 31 MARCH 2020

	Note	2020 £'000	2019 £'000 Restated*	1 April 2018 £'000 Restated*
Property, Plant & Equipment	8			
Council Dwellings		240,402	237,366	235,528
Other Land & Buildings		86,174	89,774	88,193
Vehicles, Plant & Equipment		8,180	7,826	7,615
Infrastructure Assets		950	737	568
Community Assets		2,161	2,161	2,088
Surplus Assets		142	5,733	6,010
Assets Under Construction		5,819	1,992	1,506
		343,828	345,589	341,508
Heritage Assets	9	41,570	40,622	39,618
Investment Property	10	3,091	4,463	4,729
Intangible Assets		391	289	105
Long Term Debtors	11	1,392	532	559
Long Term Investments	11	4,965	0	0
Long Term Assets		395,237	391,495	386,519
Short Term Investments	11	31,133	31,047	28,038
Assets Held for Sale	12	316	0	12
Inventories		236	168	141
Short Term Debtors	13	6,163	7,716	5,142
Cash & Cash Equivalents				
Cash In Hand/At Bank	11	281	291	15
Cash Equivalents	11	14,114	9,580	4,780
Current Assets		52,243	48,802	38,128
Bank overdraft	11	0	0	-620
Short Term Borrowing	11	-27	-26	-26
Short Term Creditors	14	-15,735	-13,431	-12,554
Provisions	15	-3,319	-4,888	-2,388
Grants Receipts in Advance (Revenue)	21	-3,716	-476	-1,143
Grants Receipts In Advance (Capital)	21	0	-699	0
Current Liabilities		-22,797	-19,520	-16,731
Long Term Borrowing	11	-53,067	-53,073	-53,078
Provisions	15	-2,120	-2,910	-1,000
Other Long Term Liabilities – Pensions Liability	26	-36,256	-36,066	-38,288
Long Term Liabilities		-91,443	-92,049	-92,366
Net Assets		333,240	328,728	315,550
Usable Reserves				
Usable Capital Receipts Reserve		7,979	5,822	4,904
Major Repairs Reserve		1,338	976	1,665
General Fund Earmarked Reserves	7	24,926	23,623	23,916
Capital Grants Unapplied Account		3,314	2,968	2,708
Working Balances:				
General Fund		2,302	2,657	3,785
HRA		25,253	22,161	18,137
Unusable Reserves				
Revaluation Reserve	16	69,259	74,354	72,309
Capital Adjustment Account	16	234,919	233,013	229,269
Deferred Capital Receipts	16	517	532	559
Pensions Reserve	16	-36,256	-36,066	-40,129
Accumulated Absences Adjustment Account	16	-508	-499	-488
Collection Fund Adjustment Account	16	232	-813	-1,085
Pooled Investment Funds Adjustment Account	16	-35	0	0
Total Reserves		333,240	328,728	315,550

* See note 30

HARROGATE BOROUGH COUNCIL
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	2019/20	2018/19
	£'000	£'000
		Restated*
Operating Activities		
Net surplus(-) or deficit on the provision of services excluding interest transactions:		
External Interest paid	-1,546	-1,598
External Interest received	1,588	1,589
	<u>-624</u>	<u>-372</u>
Net surplus(-) or deficit on the provision of services	-582	-382
Adjust net surplus(-) or deficit for non-cash movements:		
Depreciation and amortisation	-3,692	-3,266
Impairment and revaluations	1,925	-1,784
Movement in fair value of pooled investment funds	-35	0
Increase(-)/decrease in impairment for bad debts	495	-1,057
Increase(-)/decrease in other provisions	2,359	-4,411
Increase(-)/decrease in creditors	-1,705	-1,106
Increase/decrease(-) in debtors	-824	2,335
Increase/decrease(-) in inventories	68	27
Pension Liability – contributions more/less(-) than IAS19 Costs	-5,183	-7,609
Carrying amount of non-current assets sold or derecognised	-7,458	-2,319
Increase(-)/decrease in Major Repairs Reserve (MRR)	-362	689
Adjust net surplus(-) or deficit for investing activity items:		
Less purchase of property, plant and equipment from MRR	-4,551	-5,283
Proceeds from the sale of non-current assets	6,878	4,526
Less Capital Grants credited to CI&ES	1,247	2,250
Less other Capital Receipts	-15	-26
	<u>-11,435</u>	<u>-17,416</u>
Net Cash Flows from Operating Activities	-11,435	-17,416
Investing Activities		
Purchase of property, plant & equipment and intangible assets	13,615	13,836
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-6,878	-4,526
Capital grants received	-985	-2,687
Purchase of/proceeds from(-) long-term investments	5,875	0
Proceeds from(-)/purchase of short term deposits	86	3,010
	<u>11,713</u>	<u>9,633</u>
Net Cash Flows from Investing Activities	11,713	9,633
Financing Activities		
Repayments of long & short term borrowing	5	5
Change in net debtors for Council Tax and NDR income	-4,807	2,082
	<u>-4,802</u>	<u>2,087</u>
Net Cash Flows from Financing Activities	-4,802	2,087
Net Increase(-)/Decrease in Cash & Cash Equivalents	-4,524	-5,696
Cash & Cash Equivalents at the beginning of the reporting period		
Bank overdraft	0	620
Cash at Bank/in hand	-291	-15
Cash Equivalents**	-9,580	-4,780
	<u>-9,871</u>	<u>-4,175</u>
Cash & Cash Equivalents at the end of the reporting period		
Bank overdraft	0	0
Cash at Bank/in hand	-281	-291
Cash Equivalents**	-14,114	-9,580
	<u>-14,395</u>	<u>-9,871</u>

* See note 30

** Short Term Investments that mature within one month of date of acquisition

Credit cash balances are depicted as negative amounts

1. Accounting Policies

i. General Principles

The Accounts have been prepared in accordance with the 2019/20 Code of Practice on Local Authority Accounting issued in February 2019 by the Chartered Institute of Public Finance and Accountancy (CIPFA), based on International Financial Reporting Standards. The Accounts have been prepared under the historical cost convention modified to account for the revaluation of non-current assets. All the figures presented are rounded to varying levels of precision and this is made clear in each case.

ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- 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 and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council has adopted a policy of cash equivalents being short term investments which mature within one month of their acquisition.

iv. Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised within the financial statements. Contingent assets are disclosed by way of a note to the accounts if the inflow of economic benefits or service potential is probable.

Contingent liabilities are disclosed by way of a note to the accounts if there are possible obligations that may require payment or a transfer of economic benefits.

v. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the relevant service or, where applicable, to Non Distributed Costs within the Corporate line in the Comprehensive Income and Expenditure Statement, at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, transfers are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

Retirement Benefits

In line with the CIPFA Accounting Code, the Council has adopted the full accounting requirements of IAS19 (Retirement Benefits). The disclosures required under IAS19 are set out in the notes to the Financial Statements, note 26.

Employees of the Council are members of the Local Government Pensions Scheme, administered by North Yorkshire County Council (NYCC). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme

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

- The liabilities of the NYCC pension scheme 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 earnings for current employees
- Liabilities are discounted to their value at current price, using a discount rate of 2.3% (based on the indicative rate of return on AA-rated corporate bonds)
- The assets of the NYCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs within the Corporate line on the statement

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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

Remeasurements comprising:

- the return on plan assets – excluding amounts included in the net interest on the net defined liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions – debited to the Comprehensive Income and Expenditure Statement – charged to the Pensions Reserve as other Comprehensive Income and Expenditure
- contributions paid to the NYCC 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 in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement there are transfers to and from the Pensions Reserve to the General Fund Balance to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

The Council also 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 as are applied to the Local Government Pension Scheme.

vi. Events after the Reporting Date

Events after the Reporting Date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

vii. Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it

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was originally recognised. This means that for all the Council's borrowings the amount presented in the Balance Sheet is the outstanding principal plus accrued interest repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

viii. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

- amortised cost
- fair value through profit and loss (FVPL)

Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. For financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal plus accrued interest receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan agreement.

Expected Credit Loss Model:

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit or loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value is measured in accordance with the Council's Fair Value Measurements policy (see xxv below).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has chosen to apply statutory provisions for mitigating the impact of fair value movements on Pooled Investment Funds as directed in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018 [SI 2018/1207]. This allows (where relevant criteria are met) for fair value gains and losses on Pooled Investment Funds to be reversed to an account established solely for the purpose of recognising fair value gains and losses – the Pooled Investment Funds Adjustment Account.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

This statutory provision applies from 1 April 2018 until 31 March 2023.

ix. Grants and Contributions

Grants and Contributions relating to capital and revenue expenditure are accounted for on an accruals basis. They are recognised in the Comprehensive Income and Expenditure Statement as income in the period in which the conditions of the grant have been complied with and there is reasonable assurance that the grant or contribution will be received. Specific service revenue grants are shown in the relevant service line, general revenue grants and capital grants are shown in the Non Specific Grant Income lines.

Where a revenue grant is received in advance of the related expenditure the money is transferred to an earmarked reserve to reflect the expenditure commitment in future years.

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, the grant or contribution is transferred to the Capital Grants Unapplied Account to reflect its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement. Where the expenditure to be financed has been incurred at the balance sheet date the grant is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account. This transfer is also reported in the Movement in Reserves Statement.

Where a capital grant or contribution has a condition that the Council has not satisfied at the balance sheet date, the grant or contribution is credited to Capital Grants Receipts in Advance on the Balance Sheet. Once the condition has been met the grant is transferred and recognised as income in the Comprehensive Income and Expenditure Statement.

x. Heritage Assets

The Council has four main collections of heritage assets that are held primarily for the purpose of preserving them in trust for future generations because of their cultural, environmental or historical associations. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets, as detailed below. The Council's collections of heritage assets are accounted for as follows:

• **Museums and Art Exhibits:**

Museum and Art Collections are reported on the Balance Sheet at insurance valuations, which are based on market values assessed by expert external valuers in 2006 and 2007, reviewed and updated annually by the Curator of Arts to include donations and purchases since this date at valuation or cost.

Sculptures included in this category are also reported at insurance valuations assessed by the Curator of Art in 1996 with more recent acquisitions being included at cost or valuation.

Acquisitions are normally purchases either at auction or from private collections and are funded using grants and contributions received for this purpose. These items, irrespective of value, are included in capital expenditure and recognised initially at cost on the Balance Sheet. Donations and bequests are few; where they do occur, they are recognised at valuation on the Balance Sheet, with a corresponding credit to the Donated Assets Account, or Comprehensive Income and Expenditure Statement once any conditions of the donation are met.

There is a strong presumption against the disposal of any items in the Museum & Art Collections but where a disposal does occur then the proceeds of such items are treated as capital receipts in the same way as Property, Plant & Equipment disposals but are to be applied for the benefit of the collections. This would normally mean that they would be used for the purchase of further acquisitions.

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Full details of the Council's Acquisition and Disposal Policy for Museum and Art Collections can be found on the Council's website www.harrogate.gov.uk in the Collection Development Policy.

These items are deemed to have indeterminate lives and high residual values, and depreciation is therefore not charged.

- **Civic Regalia:**

The Council's Civic Regalia – including the Mayor's and Mayoress' chains, badges of office, items of jewellery and mace – are included on the Council's Balance Sheet at their insurance valuation (replacement cost), as assessed by external experts in 2011/12 (four main Mayor and Mayoress's chains), 2012/13 (items of jewellery and mace) and 2013/14 (Toastmaster chain and various badges of office pre 1974). These items are used on a frequent basis outside of safe storage at public events so the insurance value is updated as regularly as possible. The number of valuations that can be carried out each year is restricted due to the costs involved.

The civic regalia category also includes a large number of trophies, bowls and other trinkets, many of which are made of silver and have been presented to the Council over the years to commemorate special occasions. Due to the large volume and diverse nature of these items, these items are not regularly valued due to the cost not being commensurate with the benefit attained. However, an up to date insurance valuation was commissioned in 2014.

The Council recognises these assets on the Balance Sheet at their insurance valuation, which is the expert valuation figure obtained in 2014.

The items included on the Balance Sheet are deemed to have indeterminate lives and high residual values, and depreciation is therefore not charged.

Acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost. Donations are not normally valued unless there are exceptional items that are likely to be of high value, in which case they would be valued by external specialists and recognised on the Balance Sheet, with a corresponding entry in the Donated Assets Account if there are conditions outstanding or in the Comprehensive Income and Expenditure Statement where there are no outstanding conditions.

- **Memorials and Monuments:**

The Council holds a small but diverse range of memorials and monuments. These are reported on the Balance Sheet at their insurance valuations, which are based on the estimated rebuilding costs that are reviewed and updated annually. These assets are considered to have indeterminate useful lives and depreciation is therefore not charged.

Acquisitions and disposals are not expected in this category.

- **Buildings:**

The Council holds one building that is classified as a heritage asset, namely the Royal Hall in Harrogate. Although historic cost information is available regarding the refurbishment that took place between 2006 and 2008, this cost relates only to aspects of the structure and interior of the building and not to the building as a whole. The asset is therefore held on the Balance Sheet at its insurance valuation which is based on the rebuilding cost as assessed by the Assets Manager. This valuation is reviewed annually. Depreciation is not charged on the Royal Hall as it is deemed to have an indeterminate useful life.

Acquisitions and disposals are not expected in this category.

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

Intangible assets are valued initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually 3-5 years) to the relevant services line(s) in the Comprehensive Income and Expenditure Statement on a straight line basis. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii. Inventories

Inventories are included on the Balance Sheet at the lower of actual cost or net realisable value.

xiii. Investment Property

Investment Property is property (land and/or buildings) held solely to earn rental income or for capital appreciation or both. The Council's property portfolio is reviewed annually to identify any additional assets which meet these criteria.

Investment Properties are initially recognised at cost, but are subject to valuation at fair value at the end of each accounting period. When an asset is transferred to this category it is re-valued to fair value on transfer and any gain is recognised in the Revaluation Reserve. A loss is recognised in the Revaluation Reserve up to the balance on the Reserve and then to the Comprehensive Income and Expenditure Statement. Any balance on the Revaluation Reserve is frozen until the asset is derecognised.

Subsequent revaluation gains or losses on Investment Property are included in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement in addition to the rental income and any direct expenditure.

Depreciation is not charged on Investment Property.

xiv. Operating Leases

Assets utilised under operating leases are not shown on the Balance Sheet. The rentals payable are charged evenly to revenue and disclosed in the notes to the Financial Statements together with outstanding commitments at 31 March.

Council Assets rented out under operating leases are recorded as non-current assets and the rental income credited evenly to revenue over the period of the lease. The rental income is shown in the notes to the Financial Statements.

xv. Costs of Support Services

The costs of overheads and support services are included in the Comprehensive Income and Expenditure Statement (CIES) against the service within which they are managed and monitored, although the Housing Revenue Account includes its share of support charges and the costs are netted off the expenditure of the appropriate recharging service.

xvi. Property, Plant and Equipment

All expenditure on the acquisition, creation or enhancement of non-current assets is capitalised on an accruals basis (subject to the application of a de minimis of £10,000 for land and buildings, £5,000 for equipment and £0 for heritage assets for schemes to be included on the Council's capital programme). Property, Plant and Equipment assets are included in the Balance Sheet at current value. For land and buildings this is market value in existing use (or depreciated replacement cost, if there is no market based evidence of current value). Council dwellings are included on the basis of existing use value for social housing. For non-property assets that have short useful lives or low value (or both), depreciated historical cost basis is used as a proxy for current value.

Assets under Construction, Infrastructure Assets and Community Assets are included at historic cost. The current asset values used in the accounts are certified by the Council's internal valuers under a five year rolling programme of revaluations. Subsequent additions are included in the accounts at the cost of acquisition.

The increases in valuations arising on the revaluation of Property, Plant and Equipment at current value are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service revenue account.

An impairment or revaluation loss on a previously revalued asset is initially recognised in the Revaluation Reserve up to the balance on the Reserve in relation to that asset, any remaining loss being recognised in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment are depreciated over their useful economic lives, except where any provision for depreciation would not be material. Depreciation is calculated using the straight line method for buildings. Depreciation on small items of plant and equipment is calculated on a straight line basis over periods ranging from four to fifteen years and the reducing balance method is used for vehicles at 30% per annum. Assets in the course of construction are depreciated from the point at which the asset is brought into use. Council dwellings are depreciated on a straight line basis over 40 years.

The Council is not required to raise Council Tax to cover depreciation, revaluation or impairment losses. However it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirements (equal to an amount calculated on a prudent basis determined by the Council in accordance with Statutory guidance). Depreciation, revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance on the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account.

Componentisation

When expenditure over £400k is incurred on a component of a building, the component is reviewed by the Council's valuers to assess whether the asset life of the component is significantly different to the life of the rest of the building. If it is considered to be materially different, the component will be recorded separately in the asset register for the purposes of calculating depreciation charges for the building.

When carrying out the rolling programme of building revaluations, the Council's valuers review all buildings with an asset value over £1m for significant components representing at least 20% of the overall original building cost, subject to a de minimis of £400k and with an asset life materially different to that of the rest of the building. If any are identified they are included in the year end revaluation report and separated out on the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

asset register. These components are then taken into account in the calculation of the total depreciation charges to services for the building in the following year.

For some buildings (e.g. swimming pools), the valuer may define a component as a group of items which have similar significantly shorter lives than the rest of the building and collectively represent over 20% of the original cost of the building, subject to the £400k de minimis.

Assets Held For Sale

These are assets that have been declared surplus to the Council's operational requirements, are being actively marketed and have an estimated sale date within twelve months of the balance sheet date. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Assets Held for Sale are included on the Balance Sheet at the lower of the carrying amount or the fair value of the asset less the costs to sell the asset.

Impairment or revaluation losses on initial classification or subsequent write down to fair value are charged directly to the Comprehensive Income and Expenditure Statement even if the asset has been previously revalued. Any balance on the Revaluation Reserve remains until the asset is sold.

Assets Held for Sale are not subject to depreciation.

Disposals

When an asset is disposed of, the value of the asset on the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The receipt from the disposal is also credited to the same line in the Comprehensive Income and Expenditure Statement and netted off against the balance sheet value to show the net gain or loss on disposal of the fixed asset.

Amounts in excess of £10,000 must be treated as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government.

Capital receipts are transferred to the Usable Capital Receipts Reserve (to fund future capital investment and the payment to the Government) and the balance sheet value of the assets sold is transferred to the Capital Adjustment Account. The net amount is shown as a transfer of the gain or loss on sale of non-current assets on the General Fund Balance in the Movement in Reserves Statement to neutralise the effect of recognising the gain or loss on disposal of fixed assets in the Comprehensive Income and Expenditure Statement surplus or deficit.

Any revaluation gains in the Revaluation Reserve relating to the asset sold are transferred to the Capital Adjustment Account.

xvii. Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the amount required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Provisions are reviewed at the end of each financial year and where it has become less probable that a transfer of economic benefits will now be required, or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

xviii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement on Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to an appropriate service to score against the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, collection fund, retirement and employee benefits and do not represent usable resources for the Council. These reserves and the movements on them in the year are explained in more detail in note 16 to the Financial Statements.

ix. 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 non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the General Fund Balance so there is no impact on the level of Council Tax.

xx. Value Added Tax (VAT)

The Council is VAT registered. The VAT that the Council pays on purchases of goods and services (input tax) and VAT that the Council collects on income from the supply of goods and services (output tax) are collected in a separate VAT Account. VAT collected on income must be paid to Her Majesty's Revenues and Customs (HMRC) whilst the VAT paid is recoverable from HMRC in the majority of cases.

The Council completes a monthly VAT return to HMRC and depending on the net position each month either the Council makes a payment to HMRC or HMRC makes a repayment to the Council.

Where VAT is not recoverable it is charged to the appropriate service in the Comprehensive Income and Expenditure statement.

When HMRC makes a refund of VAT collected in prior years due to a change in VAT regulations, the refunded VAT is credited to the appropriate service in the Comprehensive Income and Expenditure Statement in the year it is received. Any interest paid on the refunded VAT balance is credited to External Interest Income in the Comprehensive Income and Expenditure Statement.

At the year-end any balance due to or from HMRC is included as a creditor or debtor on the Council's Balance Sheet.

xxi. Internal Interest

External interest receipts and payments are collected centrally and shown in the Comprehensive Income and Expenditure Statement as Financing and Investment Income and Expenditure. The Housing Revenue Account is credited and debited with internal interest, being a share of these interest receipts and payments in accordance with the formulae set out in the Item 8 Credit and Item 8 Debit (General) Determination issued by the Government each year in exercise of its powers under the Local Government and Housing Act 1989.

xxii. Borrowing Costs

Borrowing costs are interest and other costs that are incurred in connection with the borrowing of funds. The Council has adopted a policy of recognising these costs as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

xxiii. Exceptional items and prior year adjustments

Any material exceptional items are included within the cost of the relevant individual service or, if a degree of prominence is necessary in order to give a fair presentation of the accounts, separately identified on the face of the revenue account. Details of any such exceptional items are given in the explanatory notes.

Material prior period adjustments arising from changes in accounting policies or from the correction of material errors have been accounted for by restating the comparative figures in the financial statements and notes, along with the cumulative effect on reserves. Any effect of material prior period adjustments is disclosed separately as a note to the accounts.

xxiv. Collection Fund

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). The Statutory Collection Fund (England) Statement is included as a supplementary statement in the accounts.

In its capacity as billing authority the Council acts as an agent. It collects and distributes NDR on behalf of the Government, North Yorkshire County Council (NYCC) and North Yorkshire Fire and Rescue Authority (NYFRA), and Council Tax on behalf of NYCC, North Yorkshire Police and Crime Commissioner (NYPCC) and NYFRA.

NDR accrued income for the year and Non-Domestic Ratepayers debtors, creditors, impairment allowance for doubtful debts and provision for appeals are shared between the Government, NYCC, NYFRA and the Council.

Council Tax accrued income for the year and Council Taxpayers debtors, creditors and impairment allowance for doubtful debts at 31 March are shared between the major preceptors and the Council based on their percentage share of the total demands/precepts for the following year.

Collection Fund debtors are reviewed collectively at the balance sheet date by debt type and provision is made for impairment based on the historical evidence of default in each category. The Council's share of the Collection Fund debtors shown on the Balance Sheet is net of this bad debt provision.

In accordance with the current accounting code of practice the Council's Comprehensive Income and Expenditure Statement includes its share of accrued NDR and Council Tax Income. Where this amount is more or less than the amount to be credited to the General Fund under statute, there is an adjusting transfer in the Movement in Reserves Statement, between the General Fund Balance and the Collection Fund Adjustment Account. This account holds the Council's share of the Collection Fund Surplus or Deficit at 31 March.

The Council's Balance Sheet includes the net creditor/debtor position with the Government and other local authorities for taxes collected on their behalf and not yet paid to them or taxes paid to them but not yet collected from taxpayers.

xxv. Fair Value

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

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming that market participants act in their economic best interest).

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

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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

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

2. Accounting Standards Issued but not yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. The accounting standards that will result in amendments to the 2020/21 Code include:

Annual improvements to IFRS Standards 2015 - 2017 cycle

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

None of these are expected to have a material impact on the Council's accounts.

3. Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. The Government has announced that the move to 75% business rates retention, and changes to how funding is distributed between councils under the fair funding review, will not now go ahead in 2021/22 and therefore, whilst this uncertainty continues, it is highly likely that there will be no immediate change to the level of funding. Given that this increased uncertainty is directly linked to the COVID-19 pandemic it is considered that, with the funding received to date and further funding announced by the Government, together with the reprioritisation of existing budgets and reserves, 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.

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 on the Council's Balance Sheet at 31 March 2020 for which there are significant risks of material adjustment in the forthcoming financial year are shown in the table overleaf:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	Uncertainties	Effect if Actual Results Differ from Assumptions
Valuations of property, plant and equipment	<p>Judgements are made by valuers when valuing property.</p> <p>The outbreak of Covid-19 has impacted global financial markets and, as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</p> <p>Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuations. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy.</p>	<p>Discussed in more detail below.</p> <p>The balance sheet values of the non-current assets could change. A 1% change in the net book value of other land and buildings would amount to £0.9m. Under current accounting rules, any revaluation gain or loss has no impact on the General Fund or HRA Balances.</p>
(a) Council dwellings	<p>In addition to the judgements made by valuers, the value of council dwellings is affected by adjustment factors prescribed by the Government.</p>	<p>A movement of 1% in the adjustment factor will change the balance sheet value of council dwellings by approximately £5.8m. Under current accounting rules, any revaluation gain or loss has no impact on the Housing Revenue Account (HRA) Balance or council dwelling rents.</p>
(b) Other property, plant and equipment	<p>Judgements are made by valuers when valuing property. A wide range of variables are involved and some, such as building costs, can be volatile. Properties such as the Harrogate Convention Centre are particularly open to variation as there is a significant amount of subjectivity involved in the valuers coming to their conclusions.</p>	<p>The balance sheet values of the non-current assets could change. A 1% change in the net book value of other land and buildings would amount to £0.9m. Under current accounting rules, any revaluation gain or loss has no impact on the General Fund or HRA Balances.</p>
Useful lives and residual values of property, plant and equipment	<p>Judgements are made by valuers when valuing property.</p>	<p>The amount of depreciation charged to the accounts could differ. Depreciation charges (above a statutory minimum) are reversed out of the accounts meaning that any change would not impact upon the net cost of the General Fund or HRA Balances.</p>
Investment Properties	<p>The 'material valuation uncertainty' discussed under the 'Valuations of property, plant and equipment' section above also applies to investment properties.</p>	<p>The valuation of assets could be under or over stated. Under current accounting rules, any revaluation gain or loss has no impact on the General Fund or HRA Balances.</p>
Business Rates	<p>Since the introduction of the Business Rates Retention Scheme from 1 April 2013, Local Authorities have become liable for a proportion of the cost of successful appeals against business rates charged to businesses. A provision has therefore been recognised for an estimate of the amount that businesses have been overcharged up to 31 March 2020. The estimate has been calculated in two parts. Firstly, in relation to the 2010 rating list, by using the Valuation</p>	<p>There are a number of variables that can affect the calculated level of provision. For example, a 1% increase in the historic reduction in RV of all successful appeals would result in the provision relating to the 2010 list increasing by £60k. The Council's share of the provision is 52.5% in 2019/20.</p>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	Uncertainties	Effect if Actual Results Differ from Assumptions
	Office ratings list of appeals and historical analysis of successful appeals. Secondly, in relation to the 2017 rating list, by using the allowance included within the business rates multiplier for appeals and multiplying it by the rateable value, and then adjusting for the amendments that have so far been made to valuations.	
Pensions Liability	Estimation of the net liability to pay pension depends on a number of complex factors. Actuaries make judgements in relation to factors such as the rate of inflation, the rate of increase in salaries, and mortality rates.	The effects on the net pension liability of changes in individual assumptions can be measured – for example, a 0.1% increase in the rate of increase in salaries assumption would increase the pension liability by £0.623m. However, changes are complex because the different assumptions interact. Under current accounting rules, a change in the pension liability does not impact upon the net cost of the General Fund or HRA Balances.
Pensions Assets	The ‘material valuation uncertainty’ discussed under the ‘Valuations of property, plant and equipment’ section above applies to property assets held by the pension fund.	The fair value of the pension scheme assets could be under or overstated, which in turn would lead to the net liability arising from the defined benefit obligation being under or overstated.
Pooled Investment Property Funds (Long-term Investments)	The ‘material valuation uncertainty’ discussed under the ‘Valuations of property, plant and equipment’ section above applies to assets held by the pooled investment property funds that are included within long-term investments.	The fair value of the funds’ assets could be under or overstated. Under current accounting rules, any revaluation gain or loss has no impact on the General Fund or HRA Balances.

5. Events after the Reporting Period

All events between the balance sheet date and the date the accounts were authorised for issue by the Head of Finance of 22 March 2021 have been considered and there are no post reporting period events to disclose.

6. Adjustments between Accounting and Funding Basis under Regulations

The adjustments made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practices to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure are set out on the face of the Movement in Reserves Statement. A description of the reserves that these adjustments are made against is set out below:

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. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore 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. However, the balance is not available to be applied to fund HRA services.

Housing Revenue Account Balance - The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act 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.

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.

Usable Capital Receipts Reserve - This reserve holds the capital receipts that have been set aside from the disposal of non-current assets. The use of these receipts is restricted by statute to fund new capital expenditure or to be set aside to finance historical capital expenditure.

Capital Grants Unapplied Account - This reserve holds the balance of capital grants received and credited to the Comprehensive Income and Expenditure Statement but not yet used to finance capital schemes. The balance is restricted by grant terms as to capital expenditure against which it can be applied and/or the financial year in which this can take place.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. Movements in General Fund Earmarked Reserves

	1 April 2019	Transfers In 2019/20	Transfers Out 2019/20	31 March 2020
	£'000	£'000	£'000	£'000
Council Investment Reserve (see i below)	15,056	3,753	-3,517	15,292
Service Reserves (ii)	3,377	493	-984	2,886
Insurance Reserve (iii)	495	117	-256	356
Corporate Projects Reserve (iv)	135	142	-217	60
Innovate Reserve (iv)	551	-39	-172	340
Council Tax/Housing Benefit Reserve (v)	294	22	-132	184
Budget Transition Fund (vi)	633	2,157	0	2,790
Business Rate Retention Reserve (vii)	287	196	-71	412
Other Earmarked Reserves (viii)	2,795	913	-1,102	2,606
Total 2019/20	23,623	7,754	-6,451	24,926

	1 April 2018	Transfers In 2018/19	Transfers Out 2018/19	31 March 2019
	£'000	£'000	£'000	£'000
Council Investment Reserve	15,432	5,343	-5,719	15,056
Service Reserves	2,747	1,643	-1,013	3,377
Insurance Reserve	586	136	-227	495
Corporate Projects Reserve	152	0	-17	135
Innovate Reserve	272	380	-101	551
Council Tax/Housing Benefit Reserve	341	90	-137	294
Budget Transition Fund	687	146	-200	633
Business Rates Retention Reserve	784	287	-784	287
Other Earmarked Reserves	2,915	794	-914	2,795
Total 2018/19	23,916	8,819	-9,112	23,623

i) The Council Investment Reserve was created in 2015/16 to pool capital and investment resources across the Council.

ii) Service Reserves are built up from annual savings and are available to fund investment in services.

iii) The Insurance Reserve is held to meet any future self-insurance liabilities.

iv) The Corporate Projects and Innovate Reserves have been set up to fund any future costs that may arise from corporate restructuring reviews and the introduction of improved working arrangements.

v) The Council Tax/Housing Benefit Reserve is used to fund initiatives within the Revenues, Welfare & Customer Services function, including support for channel shift, as well as smoothing the budgetary effects of annual variations in the Benefits Subsidy that the Council receives.

vi) The Budget Transition Fund is used to smooth out the sharp reductions that are required to the Council's budget in the short-term due to reductions in funding. Transformational changes in service delivery will be implemented over the coming years that will generate savings that will once again ensure that the Council's expenditure budget matches the available in-year funding.

vii) The Business Rate Retention Reserve is used to smooth the impact of business rate deficits. In-year savings are set aside to fund the associated future deficits.

viii) Other earmarked reserves are established for services across the Council to support specific work areas.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

8. Property, Plant & Equipment (PP&E)

a) Movement on Balances 2019/20

	Property, Plant and Equipment							
	Council Dwellings	Other Land & Building	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
1 April 2019	237,366	91,690	18,158	3,730	2,161	5,785	1,992	360,882
Additions	5,143	940	2,252	403	0	0	4,461	13,199
Revaluation Increases/decreases (-) to RR*	1,474	-3,454	1	0	0	-31	0	-2,010
Revaluation Increases/decreases (-) to SDPS**	-2,087	-1,280	-28	0	0	38	0	-3,357
Derecognition – Disposals	-1,623	-295	-1,147	0	0	-5,650	0	-8,715
Derecognition – Other	-98	0	0	0	0	0	-384	-482
Reclassifications	227	23	0	0	0	0	-250	0
31 March 2020	240,402	87,624	19,236	4,133	2,161	142	5,819	359,517
Depreciation and Impairment								
1 April 2019	0	-1,916	-10,332	-2,993	0	-52	0	-15,293
Depreciation Charge to SDPS**	-4,441	-1,763	-1,860	-190	0	-52	0	-8,306
Depreciation charge written out on revaluation	4,411	2,215	28	0	0	0	0	6,654
Impairment Losses/reversal to RR*	0	0	0	0	0	0	0	0
Impairment Losses/reversal to SDPS**	0	0	0	0	0	0	0	0
Derecognition – Disposals	30	14	1,108	0	0	104	0	1,256
Derecognition – Other	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
31 March 2020	0	-1,450	-11,056	-3,183	0	0	0	-15,689
Net Book Value at 31 March 2020	240,402	86,174	8,180	950	2,161	142	5,819	343,828
Net Book Value at 31 March 2019	237,366	89,774	7,826	737	2,161	5,733	1,992	345,589

*RR = Revaluation Reserve

**SDPS = Surplus or Deficit on the Provision of Services

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

b) Movement on Balances 2018/19

	Property, Plant and Equipment							
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation		Restated*						Restated*
1 April 2018	235,528	88,679	17,621	3,349	2,088	6,010	1,506	354,781
Additions	6,071	4,574	1,952	381	73	0	649	13,700
Revaluation Increases/decreases (-) to RR**	164	1,067	640	0	0	175	0	2,046
Revaluation Increases/decreases (-) to SDPS***	-3,632	-1,630	-182	0	0	-1,111	0	-6,555
Derecognition – Disposals	-1,534	-817	-737	0	0	0	0	-3,088
Derecognition – Other	0	0	0	0	0	0	0	0
Reclassifications	769	-183	-1,136	0	0	711	-163	-2
31 March 2019	237,366	91,690	18,158	3,730	2,161	5,785	1,992	360,882
Depreciation and Impairment								
1 April 2018	0	-486	-10,006	-2,781	0	0	0	-13,273
Depreciation Charge to SDPS***	-4,408	-1,705	-1,462	-212	0	-52	0	-7,839
Depreciation charge written out on revaluation	4,380	235	182	0	0	240	0	5,037
Impairment Losses/reversal to RR**	0	0	0	0	0	0	0	0
Impairment Losses/reversal to SDPS***	0	0	0	0	0	0	0	0
Derecognition – Disposals	29	37	714	0	0	0	0	780
Derecognition – Other	0	0	0	0	0	0	0	0
Reclassifications	-1	3	240	0	0	-240	0	2
31 March 2019	0	-1,916	-10,332	-2,993	0	-52	0	-15,293
Net Book Value at 31 March 2019	237,366	89,774	7,826	737	2,161	5,733	1,992	345,589
Net Book Value at 31 March 2018	235,528	88,193	7,615	568	2,088	6,010	1,506	341,508

* See note 30

** RR = Revaluation Reserve

*** SDPS = Surplus or Deficit on the Provision of Services

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

c) Depreciation

For more information on depreciation methods and rates see Accounting Policy note 1(xvi).

d) Capital Commitments

The Council has authorised expenditure in 2020/21 of £24.5m (plus expenditure carried forward from 2019/20 of £5.7m) (£23.1m authorised in 2019/20 as at 31 March 2020 plus £5.7m carried forward). At 31 March 2020 £11m is contractually committed, being: £8.7m for Ripon Pool & Leisure Centre, £1.6m for replacement cremators at Stonefall Cemetery, £0.3m for computer equipment, £0.2m for vehicle purchases and £0.2m of various small commitments (£40k for car park refurbishments, £33k for the Vehicle Replacement Programme, £31k for computer equipment, £12k for refurbishment of Workshops units and £3k of various small commitments at 31 March 2019).

e) Effects of changes in Estimates

There were no material charges in the 2019/20 accounts resulting from changes in estimates for Property Plant and Equipment.

f) Revaluations

During the year all Council dwellings and approximately one fifth of other Council properties were revalued in accordance with the capital accounting rules, as part of the Council's five year rolling programme of valuations. All assets were reviewed for evidence of impairment at 31 March. The effective date for these revaluations was 31 March 2020, and the basis of all valuations is explained in Accounting Policy note 1(xvi).

Most of the properties were valued by internal valuers; Glenn Levison BSc (Hons) MRICS, Tom Broadley BSc (Hons) MRICS, Susan Beaumont BSc (Hons) MRICS, Emma Guy BSc (Hons) MRICS, Lisa Corby BSc (Hons) MRICS, Andrew Whelan BSc (Hons) MRICS, Susan Jackson BSc (Hons), and James Bean BSc (Hons) FRGS (the latter two under the supervision of one of the other internal RICS registered valuers). The following properties were valued by external valuers: Council dwellings and other HRA properties by Align Property Partners; Victoria Gardens Shopping Centre by Jones Lang LaSalle Ltd; farms by WBW Surveyors Ltd; community centres by Sanderson Weatherall; pools and leisure centres by Ryden LLP; Harrogate Convention Centre by CBRE.

The following table shows the progress of the Council's rolling programme for the revaluation of non-current assets:

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets
	£'000	£'000	£'000	£'000
Valued at Historic Cost	0	0	6,868	950
Valued at current value in:				
2015/16	0	6,738	0	0
2016/17	0	4,644	0	0
2017/18	0	27,360	296	0
2018/19	0	2,726	958	0
2019/20	240,402	44,706	58	0
Total	240,402	86,174	8,180	950
	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment
	£'000	£'000	£'000	£'000
Valued at Historic Cost	2,161	0	5,819	15,798
Valued at current value in:				
2015/16	0	0	0	6,738
2016/17	0	0	0	4,644
2017/18	0	0	0	27,656
2018/19	0	25	0	3,709
2019/20	0	117	0	285,283
Total	2,161	142	5,819	343,828

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

The revaluation of Council Dwellings to reflect the current housing market resulted in a total revaluation increase of £3,860k, £2,341k of which was a reversal of previous revaluation losses.

9. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Council. The four categories of Heritage Assets below are all shown on the Balance Sheet at their insurance valuations.

	Museums & Art Exhibits	Civic Regalia	Memorials & Monuments	Buildings Royal Hall	Total
	£'000	£'000	£'000	£'000	£'000
1 April 2019	8,620	411	2,032	29,559	40,622
Additions	0	0	0	0	0
Donations	0	0	0	0	0
Derecognition – other	0	0	0	0	0
Revaluation Increases/ decreases (-) to RR*	0	0	61	887	948
31 March 2020	8,620	411	2,093	30,446	41,570
*RR – Revaluation Reserve					
1 April 2018	8,536	411	1,973	28,698	39,618
Additions	84	0	0	0	84
Donations	0	0	0	0	0
Derecognition – other	0	0	0	0	0
Revaluation Increases/ decreases (-) to RR*	0	0	59	861	920
31 March 2019	8,620	411	2,032	29,559	40,622

*RR – Revaluation Reserve

Museums and Art Exhibits

For Museums and Art Exhibits, the insurance valuations shown are based on the market values assessed by external expert valuers in 2006 (items of Russian jewellery valued by Wartski of London) and 2007 (Fine art, ceramics, jewellery, Egyptology and Greek, Roman & South American collections valued by Tennants Fine Art Auctioneers). These insurance valuations have been updated in 2019/20 by the Curator of Art for acquisitions since that date, purchases being at cost, and donations at valuation, and the movements are shown as additions in the year.

Within Museums and Art exhibits there are a number of sub-categories of heritage assets. The fine art collection consists of 2,500 works and accounts for the majority of the museums and arts collection's valuation.

A significant collection of foreign antiquities is held, with the Egyptology collection forming the majority of it, together with a collection of Greek, Roman and South American pieces.

There is also a collection of decorative and applied arts, consisting of ceramics, glass, silver and jewellery, and a collection of British archaeological material, together with a social history collection that covers a range of materials relating to domestic, community and working life in the Harrogate district, mainly dating from the 19th and 20th centuries.

The Council's Museums and Arts service cares for and promotes the above collections, which span the areas of Human History with 20,000 objects and Fine Art with 2,500 objects. All collections are stored in a purpose built secure storage and they are displayed principally at three sites; the Mercer Gallery, the Royal Pump Room Museum and Knaresborough Castle. Items are also loaned out to other museums and galleries in the UK and occasionally overseas.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

The Council is committed to making the collections as intellectually and physically accessible as possible, not only to residents in its District but also in the wider north of England region and, where appropriate, nationally and internationally. For example, there are both permanent and temporary themed displays at the sites above, as well as education programmes for young people and the opportunity for supervised private individual academic study.

In addition to the above collections, the Council holds nine sculptures that have been included in the Museum and Art Exhibits category.

The Museums and Arts service maintain inventory books with hand written entries for each item as they have come into the collection, giving each item an accession number. They also maintain a computerised catalogue of all collections called the MODES system.

Civic Regalia

These items are included on the Council's Balance Sheet at their insurance valuation, being the cost of replacement assessed by external specialists; (Oddy Wilson & Co Ltd) in 1984; (Ogden of Harrogate) in 2011/12, 2012/13 and 2013/14; and Tennants in 2014/15.

The collection includes items such as the Mayor's and Mayoress' chains and their badges of office, together with a number of trophies, bowls and other trinkets, many of which are made of silver and have been presented to the Council over the years to commemorate special occasions.

The majority of the civic regalia collection is kept in secure storage, although items are sometimes displayed at the Council's museums. The Mayor and Mayoress use their chains of office for public engagements.

The Mayor's secretary maintains an inventory of all the items presented to the Council and the valuation schedules for the Civic Regalia.

Memorials and Monuments

Memorials and monuments are included on the Balance Sheet at their insurance valuation. This insurance valuation for the estimated cost of replacement is provided by the Council's Assets Manager and is based on rebuilding costs, which are reviewed annually.

The Council is responsible for twelve memorials and monuments, including the clock tower on North Road in Ripon, the Queen Victoria monument in Harrogate town centre and the obelisk in Ripon Market Place.

The increase in valuation in 2019/20 reflects an inflationary increase in the assessment of the rebuilding cost of all the memorials and monuments.

The monuments and memorials are all located in community open spaces across the district and are accessible to the public. The items are recorded in the property schedules maintained for insurance purposes.

Buildings

The Royal Hall, Harrogate, is the only building held by the Council in the Heritage Asset category. It was originally built in 1903 and was fully restored between 2006 and 2008 with the assistance of grants from the Heritage Lottery Fund and the Royal Hall Restoration Trust. It is a unique local asset and is an important Grade II listed building. It is held on the Balance Sheet at its insurance valuation, being the estimated cost of replacement based on an assessment carried out by the Council's Asset Manager. This valuation is reviewed annually.

The building is recorded in the property schedules maintained for insurance purposes.

In accordance with the conditions of the Heritage Lottery Grant, the Royal Hall is open to the public by way of regular entertainment events, as well as public open days, and group tours can also be arranged.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

The Council has a number of other heritage buildings e.g. Pump Room Museum, Mercer Gallery and Knaresborough House, but in accordance with the accounting code of practice these are treated as operational assets. They are included in the Property, Plant and Equipment Category on the Balance Sheet at current value and are not included as Heritage Assets.

The Council does not possess any intangible heritage assets.

10. Investment Property

The Council received rental income of £65k from investment property in 2019/20, but this was offset by a prior-year adjustment of -£149k, resulting in a net cost of £84k (income of £315k in 2018/19), whilst direct operating expenses amounted to £0k (£0k in 2018/19). As part of the asset revaluation process in 2019/20 the Council's internal valuers have reviewed all of the investment properties and are not aware of any material restrictions on the realisability of investment property or the remittance of income and proceeds on disposal.

A reconciliation of the carrying amounts of investment property at the beginning and end of 2018/19 and 2019/20 is set out below:

	31 March 2020	31 March 2019
Fair Value	£'000	£'000
1 April	4,463	4,729
Disposals	0	0
Net gains or losses(-) from fair value adjustments	-1,372	-266
Reclassifications	0	0
31 March	3,091	4,463

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2020 and 2019 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2020
<i>Recurring fair value measurements using:</i>	£'000	£'000	£'000	£'000
Shopping Centre	0	2,200	0	2,200
Secondary Industrial Land	0	0	691	691
Garage Block	0	0	200	200
Total	0	2,200	891	3,091

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2019 Comparative Figures:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2019
<i>Recurring fair value measurements using:</i>	£'000	£'000	£'000	£'000
Shopping Centre	0	3,500	0	3,500
Secondary Industrial Land	0	0	813	813
Garage Block	0	0	150	150
Total	0	3,500	963	4,463

There were no transfers between Levels 1, 2 and 3 during the year.

Valuation Techniques used to determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The shopping centre has been valued using an investment method of valuation using an initial yield. When valuing the asset, regard has been made to comparable investments with characteristics similar, but not identical, to the subject property.

Significant Unobservable Inputs – Level 3

The secondary industrial land and garage block have been valued using an investment method of valuation, with an initial yield applied to the income stream. However, due to the nature and location of these assets there is no evidence of disposals of similar properties and little quantitative information to consider, and therefore the valuer has relied upon other information and appropriate assumptions. For this reason, these assets are categorised as Level 3 in the fair value hierarchy as the valuation method uses significant unobservable inputs to determine the fair value (and there is no reasonably available information that indicates that market participants would use different assumptions).

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the shopping centre is its current use. The secondary industrial land and garage block are currently leased out and generate income, but there is the potential that their value could increase if they were reviewed and planning permission sought for development.

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. The valuations are carried out by both internal and external valuers, in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards. The Council's valuations experts work closely with finance officers regarding all valuation matters.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

11. Financial Instruments

a) Categories for Financial Instruments

The following categories of financial instruments are carried on the Balance Sheet:

Financial Assets	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Fair value through profit & loss	4,965	0	0	0	0	0	0	0
Amortised Cost:								
Principal	0	0	1,392	532	31,000	31,000	4,364	5,925
Investment accrued interest	0	0	0	0	133	47	0	0
Cash & cash equivalents	0	0	0	0	14,395	9,871	0	0
Total Financial Assets	4,965	0	1,392	532	45,528	40,918	4,364	5,925

Financial Liabilities	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Amortised Cost								
Principal	53,067	53,073	0	0	6	5	11,525	8,165
Loans accrued interest	0	0	0	0	21	21	0	0
Total Financial Liabilities	53,067	53,073	0	0	27	26	11,525	8,165

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

b) Income, Expense, Gains and Losses

Interest income of -£527k (-£372k 2018/19) on financial assets at amortised cost and interest expense of £1,588k (£1,589k 2018/19) on financial liabilities at amortised cost are included in the surplus or deficit on the provision of services for the year, giving a net expense of £1,061k in the year (£1,217k net expense in 2018/19).

Interest income of £80k (£0k 2018/19) on financial assets at fair value through profit and loss was also included in the surplus or deficit on the provision of services for the year. A revaluation loss of £35k was charged to the surplus or deficit on provision of services in the year but, as dictated by statutory provision, was reversed out through the Movement in Reserves Statement so as to not impact on the General Fund balance.

Additionally, £16k of interest was received in relation to historic NNDR and Council Tax payments made to us following bankruptcy claims.

c) Fair Value of Financial Assets and Liabilities

	31 March			
	Carrying Amount 2020 £'000	Fair Value 2020 £'000	Carrying Amount 2019 £'000	Fair Value 2019 £'000
Financial Liabilities at amortised cost				
PWLB loans	53,094	65,569	53,099	63,033
Total	53,094	65,569	53,099	63,033
Financial assets at amortised cost	45,528	45,528	40,918	40,918
Financial assets at fair value through profit and loss	4,965	4,965	0	0
Total	50,493	50,493	40,918	40,918

Financial Liabilities consists of Public Works Loan Board (PWLB) loans. The fair value of PWLB loans is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender agreed to early repayment of the loan. The fair value has been assessed by calculating the present value of the remaining cash flows by reference to the PWLB 'premature repayment' set of rates in force at the balance sheet date.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £53,093k would be valued at £56,838k. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £12,476k for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £65,569k.

In 2019/20 the fair value of financial assets at amortised cost is equal to the carrying amount because all of the Council's investments have less than twelve months to maturity and therefore the carrying amount is assumed to approximate to fair value.

The financial assets at fair value through profit and loss are investments in property funds. The input level in the fair value hierarchy is at level 2, with valuations based on comparable investments with characteristics similar, but not identical, to the subject properties.

See note 28 for further information regarding financial instruments.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12. Assets Held for Sale

	31 March 2020 £'000	31 March 2019 £'000
Balance outstanding at start of year	0	12
Assets newly qualified as held for sale:		
Property, Plant & Equipment	316	0
Assets sold	0	-12
Balance outstanding at year-end	<u>316</u>	<u>0</u>

13. Debtors

Debtors have been reviewed collectively for impairment, based on historical loss experience at 31 March in the following categories shown in the table. Other Entities and Individual Debtors are reviewed individually by age analysis of the debtor system balance. The estimated impairment allowance for doubtful debts required has been charged to net cost of services in the Comprehensive Income and Expenditure Statement.

	31 March	
	2020 £'000	2019 £'000
Central Government Bodies	2,254	1,691
Other Local Authorities	991	2,480
Other entities and individuals	1,275	1,847
<i>Impairment Allowance</i>	-156	-93
	<u>1,119</u>	<u>1,754</u>
Payments in Advance	892	674
Total Customer Debtors	<u>5,256</u>	<u>6,599</u>
NDR/Council Taxpayers	2,264	3,053
<i>Impairment Allowance</i>	-1,439	-2,017
	<u>825</u>	<u>1,036</u>
Housing Rents	299	279
<i>Impairment Allowance</i>	-217	-198
	<u>82</u>	<u>81</u>
Total Statutory Debtors	<u>907</u>	<u>1,117</u>
Net Debtors	<u>6,163</u>	<u>7,716</u>
Total Impairment Allowance	<u>-1,812</u>	<u>-2,308</u>

We allowed an extra amount for impairment of debts at 31 March 2020 than we normally would do because of the uncertainty surrounding the impact of the covid-19 pandemic on businesses and individuals. The total impairment allowance has decreased because the Council's share of the impairment allowance for business rates has decreased from 90% in 2018/19 to 52.5% in 2019/20, in line with the terms of the business rate pools for the respective years.

14. Creditors

	31 March	
	2020 £'000	2019 £'000
Central Government Bodies	-3,334	-688
Other Local Authorities	-4,086	-3,035
Housing Rents	-207	-206
NDR/Council Taxpayers	-1	-61
Other entities and individuals	-4,105	-4,442
Receipts in Advance (Non-Grant Income)	-4,002	-4,999
Total	<u>-15,735</u>	<u>-13,431</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

15. Provisions

Current Liabilities:

	1 April 2019	Additional Provision In Year	Used In Year	Released In Year	31 March 2020
	£'000	£'000	£'000	£'000	£'000
NNDR Appeals	-3,785	-429	243	1,577	-2,394
Insurance Liabilities	-380	-199	66	15	-498
Energy Bill Provision*	-212	0	212	0	0
Redundancy Provision	-160	-63	160	0	-63
Other	-351	-25	12	0	-364
Total 2019/20	-4,888	-716	693	1,592	-3,319
Total 2018/19	-2,388	-3,997	1,280	217	-4,888

Long Term Liabilities:

	1 April 2019	Additional Provision In Year	Used In Year	Released In Year	31 March 2020
	£'000	£'000	£'000	£'000	£'000
NNDR Appeals	-2,910	-330	187	1,212	-1,841
Energy Bill Provision*	0	-279	0	0	-279
Total 2019/20	-2,910	-609	187	1,212	-2,120
Total 2018/19	-1,000	-2,757	847	0	-2,910

Under the Business Rate Retention Scheme introduced on 1 April 2013, the Council has to make provision against its estimated liability for possible successful appeals against non-domestic rate (NDR) bills issued in 2019/20 and prior years. Payment from the provision will depend on the final settlement of these appeals by the Valuation Office and the time taken to settle appeals can vary significantly. The amounts shown as being 'released in the year' are actually the reduction in the Council's share of the provision due to the change in the Council's share from 90% in 2018/19 (under a 100% retention pilot) to 52.5% in 2019/20 (under a 75% retention pilot).

The Council is self-insured up to £50,000 per claim for public liability and employer's liability claims. Any claims beyond these levels are met by insurers. The level of provision made is adequate to meet the Council's estimated known liabilities under its self-insurance arrangements for all outstanding claims. Claims can take a number of years to resolve with, on average, annual settlements of around £150,000 being made. The value of outstanding claims is assessed by the Council's professional advisors and provided in full. The insurance provision also includes the estimated liability under the scheme of arrangement with the Council's former insurer Municipal Mutual Insurance (MMI) for claims relating to pre-1993 policies.

*The provision for Energy Bills relates to a number of outstanding invoices from utility companies for gas and electricity used at a number of sites, mainly in relation to 2016/17 and 2017/18. The settlement date will depend on the receipt of outstanding invoices from Energy Companies. In 2019/20, the provision has been reclassified as a long-term provision as it is not thought that it will be settled in the next 12 months. The existing provision of £212k was increased by £67k to give the year-end total of £279k.

The Redundancy Provision was used to meet the liabilities arising from redundancies in 2019/20 that had been negotiated in 2018/19. New provision has been made for redundancies negotiated in 2019/20 that will be paid in 2020/21.

Included within 'Other Provisions' is a provision for some disputed contract costs. The settlement date will depend upon when the dispute is resolved, though it is hoped that this will be in 2020/21.

No reimbursement is currently expected in relation to any of these provisions.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

16. Total Movement on Unusable Reserves

	1 April 2019	Gains/ Losses(-) in year	Transfers Between Reserves	31 March 2020
	£'000	£'000	£'000	£'000
Revaluation Reserve (see i below)	74,354	-1,063	-4,032	69,259
Capital Adjustment Account (ii)	233,013	0	1,906	234,919
Deferred Capital Receipts (iii)	532	0	-15	517
Pension Reserve (iv)	-36,066	4,993	-5,183	-36,256
Accumulated Absences Adjustment Account (v)	-499	0	-9	-508
Collection Fund Adjustment Account (vi)	-813	0	1,045	232
Pooled Investment Funds Adjustment Account (vii)	0	-35	0	-35
Total 2019/20	270,521	3,895	-6,288	268,128

	1 April 2018	Gains/ Losses(-) in year	Transfers Between Reserves	31 March 2019
	£'000	£'000	£'000	£'000
	Restated*	Restated*	Restated*	Restated*
Revaluation Reserve (i)	72,309	2,965	-920	74,354
Capital Adjustment Account (ii)	229,269	0	3,744	233,013
Deferred Capital Receipts (iii)	559	0	-27	532
Pension Reserve (iv)	-40,129	9,831	-5,768	-36,066
Accumulated Absences Adjustment Account (v)	-488	0	-11	-499
Collection Fund Adjustment Account (vi)	-1,085	0	272	-813
Total 2018/19	260,435	12,796	-2,710	270,521

* See note 30

i) Revaluation Reserve

The Revaluation Reserve contains revaluation gains made by the Council arising from increases in the value of its Property, Plant and Equipment 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. The balance is reduced when assets with accumulated gains are:

- revalued 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.

	31 March 2020	31 March 2019
	£'000	£'000
		Restated*
Balance at 1 April	74,354	72,309
Upward Revaluation of Assets	3,517	3,149
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-4,580	-184
Surplus or Deficit on revaluation of non-current assets not charged to the Surplus/Deficit on the Provision of Services	-1,063	2,965
Difference between fair value depreciation and historical cost depreciation	-966	-913
Accumulated gains on assets sold	-3,066	-7
Amount written off to Capital Adjustment Account	-4,032	-920
Balance at 31 March	69,259	74,354

* See note 30

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

ii) Capital Adjustment Account

The Capital Adjustment Account is used to absorb 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 as 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 is used to hold accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account is also used to hold revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. It is not available to support spending.

	31 March 2020 £'000	31 March 2019 £'000 Restated*
Balance at 1 April	233,013	229,269
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement (CI&ES):		
Charges for the depreciation, amortisation and impairment of non-current assets	-8,368	-9,302
Revaluation losses on Property, Plant & Equipment	-396	-871
Reversal Revaluation Losses on Property, Plant & Equipment	3,694	796
Movement in the market value of Investment Property	-1,372	-266
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal	-7,459	-2,319
Capital Financing Applied in year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	3,929	2,811
Use of Major Repairs Reserve to finance new capital expenditure	4,314	5,283
Capital Grants and Contributions credited to the CI&ES that have been applied to capital financing	901	1,990
Statutory Provision for the repayment of Principal	767	799
Capital expenditure charged against General Fund and HRA balances	1,864	3,904
Adjusting amounts written out of the Revaluation Reserve	4,032	920
Balance at 31 March	234,919	233,013

* See note 30

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

iii) Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets or on making improvement loans to home owners repayable when their house is sold, for which cash settlements have yet to take place. These items form Long Term Debtors.

Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Usable Capital Receipts Reserve (or where the capital receipt is less than the £10,000 de minimis under legislation, to the Housing Capital Reserve).

	31 March	31 March
	2020	2019
	£'000	£'000
Balance at 1 April	532	559
New Deferred Receipts in year credited to CI&ES	0	0
Transfer to Usable Receipts reserve/GF Balance upon receipt of cash	-15	-27
Balance at 31 March	<u>517</u>	<u>532</u>

iv) Pensions Reserve

The Pensions Reserve is used to absorb 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. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31 March	31 March
	2020	2019
	£'000	£'000
Balance at 1 April	-36,066	-40,129
Remeasurement gains or losses (-) on pensions assets and liabilities	4,993	9,831
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the CI&ES	-9,359	-11,802
Employer's Pension Contributions payable in the year	4,176	6,034
Balance at 31 March	<u>-36,256</u>	<u>-36,066</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

v) Accumulated Absences Adjustment Account

The Accumulated Absences Adjustment Account is used to absorb the differences that would normally be charged to the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is reversed by transfers to or from the Account.

	31 March 2020 £'000	31 March 2019 £'000
Balance at 1 April	-499	-488
Reversal of accrual made at the end of the preceding year	499	488
Amounts accrued at the end of the current year	-508	-499
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different to remuneration chargeable in the year in accordance with statutory requirements	-9	-11
Balance at 31 March	-508	-499

vi) Collection Fund Adjustment Account

The Collection Fund Adjustment Account is used to account for the differences from the recognition of council tax and non-domestic rates (NDR) income in the Comprehensive Income and Expenditure Statement as it falls due from tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31 March 2020 £'000	31 March 2019 £'000
Balance at 1 April	-813	-1,085
Amount by which the Council Tax Income credited to the CI&ES on an accruals basis is different to Council Tax Income calculated for the year in accordance with statutory requirements	92	-36
Amount by which the NDR Income credited to the CI&ES on an accruals basis is different to the NDR income calculated for the year in accordance with statutory requirements	953	308
Balance at 31 March	232	-813

vii) Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account is used solely for the purpose of recognising fair value gains and losses on the Council's pooled investment funds under statutory provisions.

	31 March 2020 £'000	31 March 2019 £'000
Balance at 1 April	0	0
Changes in the fair value of pooled investment funds	-35	0
Balance at 31 March	-35	0

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

17. Expenditure and Funding Analysis and Segmental Income

a) Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated from 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.

2019/20	Net Expenditure chargeable to the General Fund and HRA balances	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Housing General Fund	1,821	4	211	0	2,036
Parks & Environmental Services	4,408	1,409	995	0	6,812
Safer Communities	-1,554	286	242	0	-1,026
Finance	1,940	-35	536	0	2,441
Legal & Governance	2,510	5	189	0	2,704
Information, Communications & Technology	2,243	463	151	0	2,857
Organisational Development & Improvement	1,871	29	251	0	2,151
Culture, Tourism & Sport	877	827	566	0	2,270
Place Shaping and Economic Growth	5,575	328	615	0	6,518
Harrogate Convention Centre	-436	-494	320	0	-610
Corporate	610	40	-181	8	477
Housing Revenue Account (HRA)	-4,542	-2,468	473	0	-6,537
Net Cost of Services	15,323	395	4,368	8	20,094
Other Income & Expenditure	-19,363	-1,119	815	-1,009	-20,676
Transfers to/from(-) Earmarked Reserves	1,303	0	0	-1,303	0
Surplus(-) or Deficit	-2,737	-724	5,183	-2,304	-582
Opening General Fund & HRA Balances at 31 March 2019	-24,818				
Surplus(-)/Deficit on General Fund and HRA Balances in year	-2,737				
Closing General Fund & HRA Balances at 31 March 2020*	-27,555				

* For a split of this balance between General Fund and HRA, see the Movement in Reserves Statement

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2018/19	Net Expenditure chargeable to the General Fund and HRA balances	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000 Restated**	£000	£000	£000 Restated**
Housing General Fund	1,661	27	41	0	1,729
Parks & Environmental Services	4,154	1,082	216	0	5,452
Safer Communities	-1,354	306	58	0	-990
Finance	2,230	93	119	0	2,442
Legal & Governance	2,987	43	42	0	3,072
Information, Communications & Technology	2,361	369	35	0	2,765
Organisational Development & Improvement	1,807	75	47	0	1,929
Culture, Tourism & Sport	1,143	806	126	0	2,075
Place Shaping and Economic Growth	4,350	1,247	141	0	5,738
Harrogate Convention Centre	618	6	74	0	698
Corporate	493	39	3,836	11	4,379
Housing Revenue Account (HRA)	-5,519	691	92	0	-4,736
Net Cost of Services	14,931	4,784	4,827	11	24,553
Other Income & Expenditure	-17,534	-8,070	941	-271	-24,934
Transfers to/from(-) Earmarked Reserves	-293	0	0	293	0
Surplus(-) or Deficit	-2,896	-3,286	5,768	33	-382
Opening General Fund & HRA Balances at 31 March 2018	-21,922				
Surplus(-)/Deficit on General Fund and HRA Balances in year	-2,896				
Closing General Fund & HRA Balances at 31 March 2019**	-24,818				

* For a split of this balance between General Fund and HRA, see the Movement in Reserves Statement

** See note 30

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

i) Adjustments for Capital Purposes:

This column adds in depreciation and impairment and revaluation gains and losses in the services lines, and for Other Income and Expenditure:

- Adjusts for capital disposals with a transfer of income on disposal of those assets and the amounts written off for those assets
- Removes the charges for capital financing – i.e. Minimum Revenue Provision and voluntary set aside to repay debt, as these are not chargeable under generally accepted accounting practices
- Adds the contribution to Housing Pooled Capital Receipts
- Adds in revaluation gains or losses for Investment Properties
- Adds the transfer from deferred capital receipts for repaid housing improvement loans
- Adds capital grant income for grants that are receivable in the year without conditions or for which conditions were satisfied in the year

ii) Net Change for the Pensions Adjustments:

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension-related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and their replacement with current service costs and past service costs
- For Other Income and Expenditure, the net interest on the defined benefit liability is charged to the CIES

ii) Other Differences:

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- For services this represents the adjustment for accumulated absences
- For Other Income and Expenditure, the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund
- Transfers between Earmarked Reserves and the General Fund Working Balance are also adjusted for in this column

b) Segmental Income

Revenue received from external customers is analysed on a segmental basis below:

	2019/20	2018/19
	£'000	£'000
Services		
Housing General Fund	-254	-117
Parks & Environmental Services	-4,882	-4,836
Safer Communities	-3,872	-4,046
Finance	-628	-623
Legal & Governance	-53	-80
Information, Communications & Technology	-22	0
Organisational Development & Improvement	-10	-54
Culture, Tourism & Sport	-5,467	-5,093
Place Shaping and Economic Growth	-3,394	-3,931
Harrogate Convention Centre	-5,230	-4,612
Corporate	-20	-26
Housing Revenue Account (including rents)	-16,798	-16,968
Total	-40,630	-40,386

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

18. Members' Allowances and Expenses

Allowances paid in the year amounted to £349,000 in aggregate (£354,000 2018/19).

This comprised:	2019/20	2018/19
	£'000	£'000
Basic Allowances	230	235
Special Responsibility Allowances	94	93
Mayoral Allowance	15	15
Members' Car & Other Allowances	10	10
Expenses	0	1
	349	354

19. Employees' earnings

a) The numbers of employees (excluding senior officers - see note c) whose remuneration (excluding pension contributions) was £50,000 or more in the year were as follows:

Remuneration Band	2019/20	2018/19
	Number of Employees	Number of Employees
£50,000 - £54,999	7	3
£55,000 - £59,999	3	1
£60,000 - £64,999	6	6
£65,000 - £69,999	0	1
£70,000 - £74,999	0	0
£75,000 - £79,999	1	0
	17	11

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

a. Exit Package cost band (including special payments)	b. Number of compulsory redundancies		c. Number of other departures agreed		d. Total number of exit packages by cost band [(b) + (c)]		e. Total cost of exit packages in each band £'000	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Value								
£0 - £20,000	3	2	8	7	11	9	76	53
£20,001 - £40,000	2	0	4	5	6	5	161	159
£40,001 - £60,000	0	0	1	0	1	0	55	0
£60,001 - £80,000	0	1	1	0	1	1	62	66
£80,001 - £100,000	0	0	0	0	0	0	0	0
Total	5	3	14	12	19	15	354	278

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

c) Senior Officers whose remuneration was £50,000 or more

	Salary, Including Fees & Allowances	Benefits in Kind e.g. car allowance	Compensation for Loss of Office	Employers Pension Contribution	Total Remuneration including Pension Contributions
2019/20	£	£	£	£	£
Chief Executive (see note 1)	125,476	95	0	0	125,571
Director, Harrogate Convention Centre	101,705	0	0	18,307	120,012
Director of Economy & Culture	90,560	115	0	16,301	106,976
Director of Corporate Affairs	91,274	59	0	16,430	107,763
Director of Community (see note 2)	91,310	6	55,065	16,064	162,445
Director of Major Projects (see note 3)	57,484	0	0	9,154	66,638
Head of Finance	64,976	24	0	11,696	76,696

Note 1: The Chief Executive's salary for 2019/20 includes Acting Returning Officer fees of £10,199.

Note 2: The Director of Community post was vacant from 29 March 2020. Compensation for loss of office includes £20,650 payment in lieu of notice.

Note 3: The Director of Major Projects post was a temporary post that was in place until 30 September 2019. The figures show the actual salary paid for the portion of the year that the postholder was in place.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	Salary, Including Fees & Allowances	Benefits in Kind e.g. car allowance	Compensation for Loss of Office	Employers Pension Contribution	Total Remuneration including Pension Contributions
2018/19	£	£	£	£	£
Chief Executive (see note 1)	122,483	78	0	19,520	142,081
Director, Harrogate Convention Centre	83,983	26	0	15,117	99,126
Director of Economy & Culture (see note 2)	15,728	0	0	2,831	18,559
Director of Economy & Culture (see note 2)	84,938	63	0	15,289	100,290
Director of Corporate Affairs	87,968	78	0	15,834	103,880
Director of Community	87,968	7	0	15,834	103,809
Director of Major Events (see note 3)	15,728	0	0	2,831	18,559
Head of Finance (see note 4)	42,962	11	0	7,735	50,708
Financial Services Manager (see note 5)	18,096	11	0	3,260	21,367

Note 1: The Chief Executive's salary for 2018/19 includes Acting Returning Officer fees of £9,466.

Note 2: The Director of Harrogate Convention Centre post was occupied until 3 February 2019 and a new postholder commenced on 4 February 2019. The figures show the actual salary paid for the portion of the year that each postholder was in place.

Note 3: The Director of Major Projects post was occupied from 4 February 2019. The figures show the actual salary paid for the portion of the year that the postholder was in place.

Note 4: The Head of Finance post was vacant until 22 July 2018. The new postholder commenced on 23 July 2018 and the figures show the actual salary paid for the portion of the year that the postholder was in place.

Note 5: The Financial Services Manager took on the role of Section 151 Officer until 22 July 2018 in the absence of a Head of Finance.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

20. External Audit Costs

	2019/20	2018/19
	£'000	£'000
The following amounts were payable to the external auditors in the year:		
Fees for external audit services	39	39
Fees for certification of housing benefits subsidy return*	22	16
Fees for certification of other returns	2	2
	<u>63</u>	<u>57</u>

* In addition to the fee of £15,500, the following additional fees were charged for the 2018/19 subsidy work:

Additional work	£9,870
Additional work as required by DWP under 'Module X'	£7,500

The table above shows currently agreed fees. However, it should be noted that further fees may be incurred if additional work is required.

21. Grant Income

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

	2019/20	2018/19
	£'000	£'000
Credited to Taxation and Non Specific Grant Income:		
Government Capital Grants		
Ministry of Housing, Communities & Local Government (Housing Grants)	38	87
Homes England (Housing Grants)	677	807
Other Capital Grants		
Developers Section 106 and other contributions (Housing & Play Areas)	505	1,139
Friends of the Valley Gardens (Japanese Garden)	1	64
Donated arts exhibits	0	81
Other small grants and contributions	26	72
	<u>1,247</u>	<u>2,250</u>
Other Government non-ringfenced grants		
New Homes Bonus Grant	1,245	1,158
Business Rate Relief Grants	4,715	5,811
Other Small Grants – Council Tax Annex Grant, Covid-19 Grant etc	93	26
	<u>6,053</u>	<u>6,995</u>
Credited to Services:		
Capital Grants to Finance Revenue Expenditure Funded by Capital under Statute		
Government Grants		
Ministry of Housing, Communities & Local Government (Housing Grants)	690	722
	<u>690</u>	<u>722</u>
Specific Revenue Grants		
Government Grants		
Department for Work and Pensions grants:		
Housing Rent Allowances	13,053	14,250
Housing Rent Rebates	5,965	6,507
Administration and various one-off grants	338	422
Ministry of Housing, Communities and Local Government:		
Housing, Planning & Finance	745	700
Lottery Grants (Cultural & Heritage Services)	95	238
Natural England (AONB, Planning Services)	197	175
Cabinet Office (Individual Electoral Registration)	19	20
Other Grants (DOE, English Heritage)	143	147
	<u>20,555</u>	<u>22,459</u>
Non-Government Grants		
Leeds City Region Business Rates Pool (Cultural Services and Economic Development)	958	0
NYCC (Housing and Cultural Services)	247	200
Other Grants (Housing, Community Safety, Planning and Cultural Services)	183	220
	<u>1,388</u>	<u>420</u>
Total Grants and Contributions	<u>29,933</u>	<u>32,846</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

In 2019/20, in addition to the above, £3,717k of grant income was held as receipts in advance. £3,600k of this was Business Rates grants relating to 2020/21, paid early by MHCLG in light of the cash flow issues that the covid-19 pandemic was causing some local authorities. £111k was Benefits Subsidy grant from the DWP, with the £6k balance being a cyber-security grant from Improvement and Development Agency. In 2018/19, grants receipts in advance income was £1,175k. £699k of this was grant from Homes England to support housing development, £443k was Benefits Subsidy grant from the DWP, with the £33k balance being Business Rates grants from MHCLG.

22. Related Party Transactions

Related party transactions are those involving Councillors, senior officers, precepting local authorities and Central Government. They are described here apart from those appearing elsewhere in these accounts.

Central Government exerts significant influence through legislation and funding. Details of the grants received from Central Government can be found in note 21 and on the face of the CIES.

North Yorkshire County Council (NYCC) also exerts its influence through the provision of grants for various purposes (see note 21). In addition, the Council provides the following services on an agency basis to NYCC; the Council collected £2,729k of on-street parking income in 2019/20 (£2,962k 2018/19) and after deduction of related costs of £861k (£873k 2018/19), the balance of £1,868k (£2,089k 2018/19) was paid to NYCC in four quarterly instalments. NYCC were charged £93k (£91k 2018/19) for Grounds Maintenance works and paid £56k (£213k 2018/19) towards Housing Services lifelines and sheltered housing costs under the Supporting People Scheme. NYCC also paid £45k towards Community Safety expenditure (£95k 2018/19). NYCC were paid £90k (£98k 2018/19) for routine rentals for schools under Joint Use Agreements for Sport and Leisure Activities, and £81k for footway lighting, parish lighting and associated consultancy fees (£98k 2018/19).

The North Yorkshire Police and Crime Commissioner paid £33k (£41k 2018/19) towards Community Safety expenditure.

Payments totalling £51k (£67k 2018/19) were paid to Parish and Town Councils towards the cost of Grounds & Cemeteries Maintenance, Community Projects, Major Event Funding and Christmas Lighting. Income of £12k (£12k 2018/19) was received for rental of recreation areas and properties leased to Parish and Town Councils.

During 2019/20, a number of Members held directorships at organisations with which the Council had transactions. In total, the Council made payments totalling £219k (£257k 2018/19) to such organisations and received payments totalling £133k (£92k 2018/19).

There were advances of £13k (£0k 2018/19) for car loans made to chief officers in the year under their conditions of service. Repayments of car loans were £3.5k (£8k 2018/19), leaving a balance of £12k (£2.5k 2018/19) at the year-end. Other transactions with these related parties are not listed individually, as their values are not regarded as material to a fair understanding of the accounts. This is on the basis of individual questionnaires returned by all senior officers and councillors. There were no former councillors for 2019/20.

In 2019/20, the Council loaned £875k to Bracewell Homes Ltd, its wholly-owned company. The Council received £31k of interest from Bracewell Homes on this loan in the year, as well as £10k to cover the time spent by Council staff working on behalf of Bracewell Homes. There were no transactions relating to the company in 2018/19.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

23. Capital Expenditure and Capital Financing

	2019/20			2018/19
	General Fund £'000	Housing Revenue Account £'000	Total £'000	Total £'000
Opening Capital Financing Requirement	22,406	61,189	83,595	84,394
Capital Expenditure				
Property, Plant & Equipment	6,263	6,936	13,199	13,700
Heritage Assets	0	0	0	84
Loan to wholly-owned company	875	0	875	0
Assets Held for Sale	315	0	315	0
Intangible Assets	165	0	165	205
Revenue Expenditure Funded from Capital under Statute (included in the surplus on the Comprehensive Income & Expenditure Account)	690	0	690	763
	8,308	6,936	15,244	14,752
Sources of Finance				
Capital Receipts	-2,492	-1,437	-3,929	-2,811
Grants and Contributions	-888	-948	-1,836	-2,713
Revenue	-1,864	0	-1,864	-3,945
Major Repairs Reserve	0	-4,551	-4,551	-5,283
	-5,244	-6,936	-12,180	-14,752
Minimum Revenue Provision/set aside receipts	-767	0	-767	-799
Closing Capital Financing Requirement	24,703	61,189	85,892	83,595
Explanation of movement in year				
Borrowing - internal	3,064	0	3,064	0
Statutory Revenue set aside	-767	0	-767	-799
Increase / Decrease (-) in Capital Financing Requirement	2,297	0	2,297	-799
Items of Capital Expenditure			2019/20 £'000	2018/19 £'000
Improvements to Council Dwellings – inc new build and purchases			6,936	9,745
Ripon Pool			2,805	381
Vehicles and Plant			1,596	1,485
Loan to wholly-owned housing company			875	0
Computer Investment – hardware and software			741	642
Private Sector Housing Grants/Loans			690	722
Conyngnam Hall refurbishment			398	0
Empty property house purchase			316	0
78-82a High Street, Knaresborough			259	0
Play area refurbishments			201	180
Open Space & Community Facilities			198	124
Digital Incubator at Springfield House			76	0
Stonefall Cremators			39	0
Valley Gardens improvements			36	72
Tower Street MSCP refurbishment			32	937
Turkish Baths refurbishment			8	283
Other schemes			38	181
			15,244	14,752

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

24. Operating Leasing Payments and Commitments

Council as Lessee:

Operating Leases (for land and buildings)

i) Leasing rentals paid to lessors in the year were:

	2019/20	2018/19
	£'000	£'000
Minimum lease payments	88	85
Contingent rents	15	18
	<u>103</u>	<u>103</u>

ii) The minimum lease payments for land and buildings due under non-cancellable leases in future years are:

	31 March	31 March
	2020	2019
	£'000	£'000
Not later than one year	66	84
Later than one year and not later than five years	116	173
Later than five years	48	55
	<u>230</u>	<u>312</u>

Council as Lessor:

The Council leases out property and equipment under operating leases mainly for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses
- To provide investment income

i) Minimum lease payments received from lessees in the year were £1,084k (£1,034k in 2018/19).

ii) The minimum lease payments receivable under non-cancellable leases in future years are:

	31 March	31 March
	2020	2019
	£'000	£'000
Not later than one year	592	664
Later than one year and not later than five years	991	1,162
Later than five years	12,326	12,342
	<u>13,909</u>	<u>14,168</u>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 £129k of contingent rents were receivable (£376k in 2018/19).

25. Termination Benefits

During 2019/20, a total of 19 exit packages were agreed (15 in 2018/19), with an associated liability of £354k (£278k 2018/19) - see note 19(b) for the number of exit packages and total cost per band. The payments are due to officers from a range of services across the Council, including Culture, Tourism & Sport, Safer Communities, Place Shaping & Economic Growth, and Parks & Environmental Services. Of the £354k (£278k 2018/19) payable, £291k was paid out during 2019/20 (£139k 2018/19), with a provision being created for the remaining £63k to be paid in 2020/21 (£139k in 2018/19 to be paid in 2019/20). Of the total payable, £75k related to pension costs (£139k 2018/19).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

26. Defined Benefit Pension Schemes

a) Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers and other employees, 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) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by North Yorkshire County Council (NYCC) – this is a funded defined benefit scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due

The North Yorkshire pension scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Pension Fund Committee of NYCC. Policy is determined in accordance with Pensions Fund Regulations. The investment managers of the fund are appointed by the committee, which takes advice from the Corporate Director – Strategic Resources and the fund’s investment advisers.

The principal risks to the Council of the scheme are the longevity assumptions, structural changes to the scheme (i.e. large scale withdrawals), changes to inflation, bond yields and the performance of equity investments held by the scheme.

b) Transactions Relating to Retirement Benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

	2019/20	2018/19
	£'000	£'000
Comprehensive Income & Expenditure Statement		
<i>Cost of Services:</i>		
<i>Service cost comprising:</i>		
• Current Service Cost	8,541	6,938
• Past Service Cost	3	3,923
• Gain(-)/loss from settlements	0	0
<i>Financing & Investment Income & Expenditure:</i>		
Net interest expense	815	941
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	9,359	11,802
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:</i>		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	-3,669	14,170
• Experience gain/loss(-)	-6,533	-427
• Gain/loss(-) due to changes in demographic assumptions	9,508	11,531
• Gain/loss(-) due to changes in financial assumptions	5,687	-15,443
	4,993	9,831
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	14,352	21,633

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

b) Transactions Relating to Retirement Benefits (continued)

Movement in Reserves Statement	2019/20 £'000	2018/19 £'000
Reversal of net charges made to the Surplus or Deficit on the Provision of Services	-9,359	-11,802
<i>Actual amount charged against the General Fund Balance and HRA Balance for pensions in the year:</i>		
Employers' contributions payable to the scheme	<u>4,176</u>	<u>6,034</u>
Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under pension scheme regulations	<u>-5,183</u>	<u>-5,768</u>

c) Local Government Pension Scheme Assets and Liabilities Recognised in the Balance Sheet

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

	31 March 2020 £'000	31 March 2019 £'000
Present value of the defined benefit obligation	-286,265	-287,623
Fair value of plan assets	<u>250,009</u>	<u>251,557</u>
Net liability arising from defined benefit obligation	<u>-36,256</u>	<u>-36,066</u>

d) Reconciliation of the Movements in the Fair Value of Scheme Assets

	31 March 2020 £'000	31 March 2019 £'000
Opening fair value of scheme assets at 1 April	251,557	233,099
Interest on plan assets	5,993	6,039
Remeasurement gain/loss(-):		
• Return on plan assets, excluding the amount included in the net interest expense	-3,669	14,170
Employer contributions	4,176	4,193
Member contributions	1,458	1,416
Benefits/transfers paid	<u>-9,506</u>	<u>-7,360</u>
Closing fair value of scheme assets at 31 March	<u>250,009</u>	<u>251,557</u>

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

	31 March 2020 £'000	31 March 2019 £'000
Opening balance at 1 April	287,623	271,387
Current service cost	8,541	6,938
Interest cost	6,808	6,980
Member contributions	1,458	1,416
Remeasurement gains(-) and losses:		
• Experience gain(-)/loss	6,533	427
• Gain(-)/loss due to changes in demographic assumptions	-9,508	-11,531
• Gain(-)/loss due to changes in financial assumptions	-5,687	15,443
Past service cost loss/gain(-) on curtailments	3	3,923
Benefits/transfers paid	<u>-9,506</u>	<u>-7,360</u>
Closing balance at 31 March	<u>286,265</u>	<u>287,623</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

f) Local Government Pension Scheme assets comprised:

	Quoted Price in Active Market Y/N	Fair Value of Scheme Asset 31 March			
		2020 %	2020 £'000	2019 %	2019 £'000
Equities	Y	58.5	146,255	56.4	141,878
Property	Y	7.3	18,251	8.4	21,131
Government Bonds	Y	19.1	47,752	19.0	47,796
Corporate Bonds	Y	0.0	0	0.0	0
Cash	Y	4.1	10,250	4.9	12,326
Other	Y	4.1	10,250	4.2	10,565
Other	N	6.9	17,251	7.1	17,861
Total		100.0	250,009	100.0	251,557

g) 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 NYCC fund liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2019.

	2019/20	2018/19
The significant assumptions used by the actuary have been:		
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men:	21.8 yrs	22.2 yrs
Women:	23.9 yrs	25.3 yrs
Longevity at 65 for future pensioners		
Men:	23.5 yrs	23.9 yrs
Women:	25.7 yrs	27.2 yrs
Rate of Inflation CPI	2.00%	2.20%
Rate of increase in salaries	3.25%	3.45%
Rate of increase in pensions	2.00%	2.20%
Rate for discounting scheme liabilities	2.30%	2.40%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set in the table above. The sensitivity analysis below has been determined based on example changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions on longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the scheme £'000
Longevity (increase by 1 year)	9,322
Rate of increase in pensions (increase by 0.1% per annum)	5,412
Rate of increase in salaries (increase by 0.1% per annum)	623
Rate for discounting scheme liabilities (increase by 0.1% per annum)	-5,778

h) Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 21 years; for Harrogate Borough Council, funding is currently at 100%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022.

The scheme takes into account changes to the value of pension liabilities on a defined benefits basis, due to the enactment of the Public Service Pensions Act 2013. LGPS benefits in relation to service up to 31 March 2014 are determined on a final salary basis. Benefits accrued from 1 April 2014 are determined on a career average revalued earnings basis.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £3.86m (year to 31 March 2020 £4.14m).

The weighted average duration of the defined benefit obligation for scheme members is 20.4 years (18.8 years 2018/19).

i) Investment Strategy

The Pension Fund Committee of North Yorkshire County Council has determined the investment strategy, which is aimed at growing the Fund's assets to meet benefit obligations when they fall due. As required by the regulations, the suitability of various classes of investments has been considered including assessing the benefit of asset class diversification. The Fund is primarily invested in equities (58.5% of scheme assets) and fixed income (19.1%), with investments also in property and alternatives. This strategy is reviewed periodically, dependent on changes to market conditions and the solvency position of the Fund.

27. Contingent Assets and Contingent Liabilities

There are no contingent assets or liabilities as at 31 March 2020.

28. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Procedures for risk management on treasury management are set out in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code plus investment guidance issued under the Act. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

a) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The prime objective of treasury management activities is the security of the principal sums it invests. This is achieved through the Council's Annual Investment Strategy, which will ensure that its counterparty list and limits reflect a prudent attitude towards organisations with whom funds may be deposited. Deposits are not made with banks and financial institutions unless they achieve a minimum level of credit worthiness. This is based on credit ratings from all three rating agencies, Fitch, Moody's and Standard & Poor's, as the core element, plus credit watches and credit outlooks from credit rating agencies and Credit Default Swap spreads, to give early warning of likely changes in credit ratings.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions and the age of the debts.

	Amount at 31 March 2020 £'000	Historical Experience of Default %	Adjusted for Market Conditions at 31 March %	Estimated Maximum Exposure to Default and Uncollectability £'000	Estimated Maximum Exposure 31 March 2019 £'000
Deposits with Banks and Financial Institutions Customers:	45,821	0.0	0.0	0	0
Government and Local Authorities	3,245	0.0	0.0	0	0
Other	1,119	1.2	5.2	60	60
				<u>60</u>	<u>60</u>

No credit limits were exceeded during the reporting period by banks and financial institutions and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers, such that £1.4m of the £4.4m balance is past its due date for payment. This amount can be analysed by age as follows:

	31 March 2020 £'000	31 March 2019 £'000
Less than three months	1,365	1,887
Three to six months	39	110
Six months to one year	11	0
More than one year	12	0
	<u>1,427</u>	<u>1,997</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Amounts arising from expected credit loss

All of the Council's financial assets have been assessed as Stage 1 at both 31 March 2019 and 31 March 2020, which means that there has been no significant increase in their credit risk. The 12-month expected credit loss for these assets has been assessed as nil. Impairment allowances for losses in relation to receivables due from customers are shown within the debtors note (note 13). The Council calculates allowances based on estimated default rates in combination with specific adjustments for individual debts when appropriate. We allowed an extra amount for bad debts at 31 March 2020 than we normally would because of the uncertainty surrounding the impact of the covid-19 pandemic on businesses. There is a rebuttable presumption in IFRS 9 that aged debt older than 30 days should be impaired. We have reviewed the aged debt older than 30 days, as disclosed above, and are satisfied that our existing impairment allowance adequately provides for this.

b) Liquidity Risk

The level of short term deposits held by the Council mean that it does not currently require any additional long term borrowings and is in a position to meet the repayments due on its long term loans.

The Council has ready access to borrowings from the Public Works Loan Board and would be able to take up this option whenever rates are favourable. When new borrowings are required the Council must ensure that a significant proportion of the borrowings are not undertaken at a time of unfavourable interest rates.

	31 March	31 March
	2020	2019
	£'000	£'000
The maturity analysis of financial liabilities is:		
Less than one year	27	26
1 - 2 years	15,006	5
2 - 5 years	22	15,020
5 - 10 years	15,052	15,048
10 - 15 years	22,987	15,033
15 - 20 years	0	7,967
	<u>53,094</u>	<u>53,099</u>

c) 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 liabilities will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance £ for £.

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep the proportion of interest paid on borrowing, which is at variable rates, at a maximum of 25%. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

In 2019/20 all borrowings and investment were at fixed rates. If interest rates had been 1% higher with all other variables held constant, the financial effect at 31 March 2020, would be:

	31 March £'000
Decrease in fair value of fixed rate investment assets (no impact on CI&ES Statement)	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on CI&ES Statement)	4,715

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

d) Price Risk

The Council does not invest in equity shares and has no exposure to loss arising from movements in the prices of shares.

e) Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

29. Expenditure and Income Analysed by Nature

	2019/20 £'000	2018/19 £'000
Expenditure/Income		
Expenditure		Restated*
Employee expenses	35,430	36,442
Other service expenses	44,535	44,684
Support Service recharges	786	793
Depreciation, amortisation, revaluation losses and impairments	5,106	9,378
Interest and investment payments	3,775	2,796
Precepts and levies (inc Business Rates tariff)	32,308	55,539
Payments to Housing capital receipts pool	792	797
Loss on disposal of non-current assets	559	0
Total Expenditure	123,291	150,429
Income		
Fees, charges and other service income	-44,455	-43,566
Income from Council Tax and Business Rates	-50,305	-71,904
Government grants and contributions	-28,041	-31,067
Non-Government capital grants	-532	-1,356
Interest and investment income	-540	-688
Gain on disposal of non-current assets	0	-2,230
Total Income	-123,873	-150,811
Surplus(-) or Deficit on Provision of Services	-582	-382

* See note 30

30. Prior Period Adjustment

When collating the 2019/20 accounts, it became clear that there had been a material error in the prior year in relation to the valuation of the shared ownership housing held within the Housing Revenue Account. This type of housing should be held on the balance sheet at a value that reflects its occupation at below market rents. As such, the 41% social housing adjustment factor should have been applied to the market values, as it is with other council dwellings, in order to reduce the carrying value of the properties. The opening balances as at 1 April 2018 were recalculated and a third balance sheet included accordingly. The overall reduction in value to be reflected in the balance sheet as at 31 March 2019 is £3.147m.

The following statements and notes are affected:

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

- Balance Sheet – the value of Property, Plant & Equipment – Other Land & Buildings has been reduced by £3.147m as at 31 March 2019. This is matched by reductions in the Revaluation Reserve (£2.467m) and Capital Adjustment Account (£0.680m). Similarly, the opening valuation balance as at 1 April 2018 has been reduced by £1.675m with offsetting reductions in the Revaluation Reserve (£1.261m) and Capital Adjustment Account (£0.414m).

	31 March 2019 – original figure	31 March 2019 – revised figure	Adjustment	31 March 2018 – original figure	31 March 2018 – revised figure	Adjustment
PPE – Other Land & Buildings	92,921	89,774	-3,147	89,868	88,193	-1,675
Revaluation Reserve	76,821	74,354	-2,467	73,570	72,309	-1,261
Capital Adjustment Account (CAA)	233,693	233,013	-680	229,683	229,269	-414

- Comprehensive Income and Expenditure Statement – an additional charge to Housing Revenue Account expenditure of £1.442m for the revaluation loss. Although the full reduction in the valuation of the assets in 2018/19 is £2.648m, £1.206m of that adjustment is made by removing the revaluation increase that had previously been included in the accounts and which does not get charged to the revenue accounts. Therefore the charge to revenue for the revaluation loss is only £1.442m. The gain on disposal of shared ownership houses also increased by £1.176m. The overall effect on the surplus/deficit on the provision of services was therefore a decrease of £0.266m.
- Movement in Reserves Statement – the £1.442m revaluation loss and £1.176m additional gain on disposal are reversed out to the Capital Adjustment Account so that they do not have a net cost to the Housing Revenue Account.
- Cash Flow Statement – the net surplus on the provision of services is reduced by £0.266m and offset by an increase in the adjustment for impairments and valuations and gain on disposal, so there is no net effect on the overall cash position.
- Note 8 – Property Plant & Equipment – to reflect the reduced value of the properties within Other Land & Buildings.
- Note 16 – Unusable Reserves – to reflect the reductions in the balances on the Revaluation Reserve and Capital Adjustment Account that offset the reduction in the asset valuation.
- Note 29 – to reflect the increase of £1.442m in the ‘Depreciation, amortisation, revaluation losses and impairments’ line and the £1.176m additional gain on disposal.
- Housing Revenue Account Income & Expenditure Statement – to reflect the additional charge of £1.442m in the ‘Depreciation and impairments of non-current assets’ line and the additional £1.176m gain on disposal and their ultimate impact on the ‘Surplus (-) or Deficit for the year on HRA services’
- Movement on the Housing Revenue Account Statement – to reflect the adjusted ‘Surplus (-) or Deficit for the year on HRA services’ and its reversal out of the HRA revenue accounts on the ‘Depreciation, impairments and revaluation losses’ and ‘Gain or Loss on sale of HRA non-current assets’ lines. The revaluation loss and gain on disposal therefore have no net impact upon the Housing Revenue Account working balance to be carried forward.
- Note 2 to the Housing Revenue Account – adjusted to include the £1.442m revaluation loss.
- Note 6 to the Housing Revenue Account – the value of ‘Other land and buildings’ is reduced by £3.147m.

HARROGATE BOROUGH COUNCIL

MOVEMENT ON THE HOUSING REVENUE ACCOUNT (HRA) STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

		31 March 2020	31 March 2019
		£'000	£'000 Restated*
Note	HRA Balance brought forward	-22,161	-18,137
	Surplus (-) or Deficit in the year on HRA Income & Expenditure Statement	-6,035	-4,920
	Adjustments between accounting basis and funding basis under regulations		
	Gain or Loss (-) on sale of HRA non-current assets	948	1,678
	HRA share of contributions to or from (-) the Pensions Reserve	-473	-92
	Transfer to Major Repairs Reserve	4,676	4,594
	Transfers to/from (-) the Capital Adjustment Account:		
2	Depreciation, impairments and revaluation losses	-2,208	-5,285
	Net increase (-) or decrease before transfers to or from Reserves	-3,092	-4,024
	Increase (-) or decrease in the year on the HRA	-3,092	-4,024
	HRA Balance carried forward	-25,253	-22,161

* See note 30

HARROGATE BOROUGH COUNCIL

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH
2020

	2019/20	2018/19
	£'000	£'000
		Restated*
Note Expenditure		
Repairs and maintenance	4,920	4,045
Supervision and management	3,252	3,067
2 Depreciation and impairments of non-current assets	2,208	5,285
Debt Management Costs	31	31
Total Expenditure	10,411	12,428
Income		
Dwelling Rents (gross)	-15,765	-15,906
Non-dwelling rents (gross)	-186	-198
Charges for services and facilities	-867	-863
Contributions towards expenditure	-249	-277
Total Income	-17,067	-17,244
Net Cost/Surplus (-) of HRA Services included in the Whole Authority Comprehensive Income and Expenditure Statement	-6,656	-4,816
HRA share of Corporate Costs	119	80
Net Cost/Surplus (-) of HRA Services	-6,537	-4,736
HRA share of the other operating income and expenditure included in the Whole Authority Comprehensive Income and Expenditure Statement		
Gain (-) or loss on sale HRA non-current assets	-948	-1,678
3 Interest payable	1,654	1,643
3 Investment Income	-204	-148
Surplus (-) or Deficit for the year on HRA services	-6,035	-4,920

* See note 30

HARROGATE BOROUGH COUNCIL

NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2020

1. General

The Housing Revenue Account is kept in accordance with the financial regime introduced in the Local Government and Housing Act 1989. The account for 2019/20 is presented in accordance with the Accounting Code of Practice.

The Movement on the HRA Statement incorporates the surplus or deficit on the Income and Expenditure Statement and effectively meets the statutory requirement to include the Housing Revenue Account as a single statement in the Statement of Accounts.

2. Depreciation, Impairments and Revaluation Losses

	2019/20 £'000	2018/19 £'000 Restated*
Council Dwellings:		
Depreciation	4,441	4,408
Reversal Prior Year Revaluation Losses	-2,324	-749
Other Land and Buildings:		
Depreciation	186	142
Revaluation losses	0	1,442
Reversal Prior Year Revaluation Losses	-144	-3
Vehicles, Plant & Equipment		
Depreciation	41	19
Infrastructure Assets		
Depreciation	8	25
	2,208	5,284

* See note 30

During 2019/20, the valuation of the Council's housing stock was revised in line with the latest market values. This led to a £3,860k net increase in the valuation, of which £2,341k was credited to the HRA in 2019/20 in order to reverse the remaining balance of previous revaluation losses charged there, but which was then reversed out to the Capital Adjustment Account so that there was no net effect on the HRA surplus. The remaining £1,519k was credited to the revaluation reserve.

3. Capital Asset Charges Accounting Adjustment

HRA paid interest charges in 2019/20 in accordance with the Item 8 Credit and Item 8 Debit (General) Determination 2012 (as amended). Interest paid is related to the HRA Capital Financing Requirement (CFR) which represents the HRA share of the Council's borrowing for capital expenditure.

	2019/20 £'000	2018/19 £'000
Interest Payable		
Interest on loans included in the HRA CFR	1,588	1,588
Interest on unfinanced HRA CFR	66	55
Total	1,654	1,643

From 1 April 2012 all of the Council's external loans were earmarked as either for General Fund or HRA and interest paid on each loan is charged accordingly. Where HRA has not borrowed externally to finance its CFR in full, it pays interest to the General Fund on the part which is being financed from internal balances. The interest rate charged to HRA on the unfinanced CFR is the average rate of interest on the Council's approved investments in the year (0.82% for 2019/20 and 0.69% in 2018/19).

HARROGATE BOROUGH COUNCIL

NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2020

In accordance with the same determination, HRA received the following interest credits:

Investment Income	2019/20	2018/19
	£'000	£'000
Average notional cash balance in year including Major Repairs Reserve	24,868	21,469
Average interest rate on approved investments	0.82%	0.69%
Interest on Notional Cash Balance	<u>-204</u>	<u>-148</u>

4. Council House Rent Arrears

For the financial year 2019/20 rent arrears from Council house tenants (both current and former) represented 1.91% of the total Council house rent income due (1.76% in 2018/19). This comprised 1.16% for current tenants (1.06% in 2018/19) and 0.75% for former tenants (0.70% in 2018/19). The arrears figures are as follows:

	2019/20	2018/19
	£'000	£'000
Arrears at 31 March:		
- current tenants	181	169
- former tenants	118	110
	<u>299</u>	<u>279</u>
Impairment of Debtors Allowance	<u>217</u>	<u>198</u>

5. Housing Stock

The Council was responsible for managing 3,863 dwellings as at 31 March 2020. The stock was made up as follows:

	31 March	31 March
	2020	2019
Houses	1,302	1,309
Flats, Bedsits and Maisonettes	1,801	1,803
Bungalows	674	674
Hostel Places	43	43
Shared Ownership*	43	40
	<u>3,863</u>	<u>3,869</u>

*This is the total number of properties in which the Council holds an equity stake – the retained proportion of each property will vary.

The changes in the general housing stock can be summarised as follows:

	2019/20	2018/19
Stock at 1 April	3,869	3,844
Sales to Council Tenants	-22	-21
Additions to council dwelling stock	13	23
Additions to Shared Ownership stock	3	23
Demolitions	0	0
	<u>3,863</u>	<u>3,869</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2020

6. Balance sheet values

	31 March 2020	1 April 2019
	£'000	£'000
		Restated*
Council Dwellings	240,402	237,366
Other Land and Buildings	4,396	4,418
Vehicles, Plant and Equipment	699	740
Infrastructure Assets	112	116
Assets Under Construction	1,877	1,114
	<u>247,486</u>	<u>243,754</u>

* See note 30

The balance sheet value of dwellings at 1 April 2019 is £237m on a tenanted valuation (£236m 1 April 2018). The vacant possession value of dwellings at 1 April 2019 is £577m (£572m 1 April 2018). These two values show the economic cost of providing council housing at less than market rents.

7. Capital Expenditure Analysis

	2019/20	2018/19
	£'000	£'000
HRA Capital Expenditure		
Planned maintenance and improvements	3,299	4,121
Purchase of properties to add to council dwelling stock	1,646	802
Purchase of Affordable housing for shared ownership	391	3,330
Construction of new dwellings	1,600	1,492
	<u>6,936</u>	<u>9,745</u>
HRA Capital Funding		
Major repairs reserve	-4,551	-5,283
Capital Contributions and Grants	-947	-1,648
Contributions to disabled adaptations	-1	-3
HRA capital receipts	-1,437	-2,811
	<u>-6,936</u>	<u>-9,745</u>

8. Capital Receipts Analysis

	2019/20	2018/19
	£'000	£'000
Sale of council dwellings	-2,113	-2,000
Payment to national pool	792	797
Sale of shares in shared ownership properties	-719	-1,994
Balance of usable receipts available to finance capital expenditure	<u>-2,040</u>	<u>-3,197</u>

HARROGATE BOROUGH COUNCIL

THE COLLECTION FUND (ENGLAND) STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

		2019/20		2018/19
		£'000	£'000	£'000
Income				
Council Tax collectable – Note 1		-119,461		-112,021
Transfers to(-)/from General Fund:	Council Tax benefits	32		17
	Transitional Protection	2	-119,427	2
Non-Domestic Rates (NDR) collectable – Note 2			-64,083	-63,471
Total Income			-183,510	-175,473
Expenditure				
Council Tax Precepts and Demands:	North Yorkshire County Council	81,896		77,301
	North Yorkshire Police & Crime Commissioner	15,976		14,411
	North Yorkshire Fire and Rescue Authority	4,451		4,283
	Harrogate Borough Council	16,133	118,456	15,421
NDR Share Payments:	Central Government	15,323		0
	North Yorkshire County Council	13,178		5,544
	North Yorkshire Fire and Rescue Authority	613		616
	Harrogate Borough Council	32,178	61,292	55,445
NDR charges/receipts (-)	Cost of collection allowance	283		287
	Renewable Energy Payment to NYCC	224		237
	Transitional Protection Payments	-295	212	-388
Uncollectable Amounts:	Council Tax Allowance for Impairment	485		305
	Council Tax written off	136	621	359
	NDR Allowance for Impairment	128		269
	NDR Allowance for Appeals	626		1,688
	NDR written off	632	1,386	302
Council Tax surplus/deficit(-) re prior year to/from(-):	NYCC, NYPCC & NYFRA		-273	154
	HBC		-44	25
NDR surplus/deficit(-) re prior year to/from(-):	Central Government, NYCC & NYFRA		-427	-1,175
	HBC		-327	-784
Total Expenditure			180,896	174,300
Surplus(-)/Deficit for the year – Council Tax			-667	257
Surplus(-)/Deficit for the year – NDR			-1,947	-1,430
Total Surplus(-)/Deficit for the year			-2,614	-1,173
Fund Surplus(-)/Deficit at start of year – Council Tax			403	146
Fund Surplus(-)/Deficit at start of year – NDR			1,232	2,662
Total Fund Surplus(-)/Deficit at start of year			1,635	2,808
Fund Surplus(-)/Deficit at end of year – Council Tax (Note 3)			-264	403
Fund Surplus(-)/Deficit at end of year – NDR (Note 4)			-715	1,232
Total Fund Surplus(-)/Deficit at end of year			-979	1,635

HARROGATE BOROUGH COUNCIL

THE COLLECTION FUND (ENGLAND) STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Note 1 Council Tax 2019/20

The Council's Taxbase (the estimated number of chargeable dwellings in each Band, adjusted for discounts and converted to an equivalent number of Band D dwellings) was calculated as follows:

Valuation Band	Chargeable dwellings	Ratio to Band D	Band D Equivalents
A- (inc disabled relief)	29	5/9	16
A	5,244	6/9	3,496
B	10,585	7/9	8,232
C	13,727	8/9	12,202
D	9,761	9/9	9,761
E	8,533	11/9	10,429
F	5,977	13/9	8,634
G	5,279	15/9	8,799
H	602	18/9	1,204
Total	59,737		62,773
Adjustment for collection rate, banding appeals, contributions in lieu etc.			-312
Council Taxbase			62,461

The average Band D Council Tax of £1,879.12 (£1,784.80 in 2018/19) was set by dividing the total of Precepts and Demands on the Collection Fund by the Council Taxbase shown above (61,898 in 2018/19). The Council Tax for dwellings in other Valuation Bands is the appropriate Ratio of the Band D tax.

Council Tax collectable includes £888k (£850k in 2018/19) of Government contributions in lieu of Council Tax for Ministry of Defence properties.

Note 2 Non Domestic Rates 2019/20

Non-domestic rates are collected on an agency basis and shares of the amount collectable are distributed in accordance with Business Rate Retention legislation, the shares for 2019/20 being: 52.5% to HBC, 25% to Central Government, 21.5% to NYCC and 1% to NYFRA.

The non-domestic rate was set by the Government at 50.4p for the year (49.3p 2018/19), and the total non-domestic rateable value at the end of the year was £164,699,094 (£164,358,388 2018/19). The gross rates thus payable for the year were abated by reliefs for empty property, charitable occupiers, rating appeals and transition, to give the net amount collectable shown above.

Note 3 Movement on the Fund Balance – Council Tax

Each Authority's share of the movement on the Fund Balance in the year, a surplus of £667k (£257k deficit 2018/19) is: NYCC £462k (£177k deficit 2018/19), NYPCC £88k (£34k deficit 2018/19), NYFRA £25k (£10k deficit 2018/19) and HBC £92k (£36k deficit 2018/19).

This amount is added to the Council Tax Demand for the year and any prior year surplus/deficit to give the Council Tax Income figure on an accruals basis shown in the Comprehensive Income and Expenditure Statement.

Note 4 Movement on the Fund Balance - NDR

Each Authority's share of the movement on the Fund Balance in the year, a surplus of £1,947k (£1,430k surplus 2018/19) is: Central Government £650k (£979k surplus 2018/19), NYCC £324k (£129k surplus 2018/19), NYFRA £20k (£14k surplus 2018/19) and HBC £953k (£308k surplus 2018/19).

This amount is added to the NDR Share for the year less the tariff and levy payments to the North & West Yorkshire Business Rates Pool to give the retained Non-domestic Rate Income figure on an accruals basis shown in the Comprehensive Income and Expenditure Statement.

HARROGATE BOROUGH COUNCIL

GLOSSARY OF TERMS FOR THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2020

Accounting Policies

Principles, rules and procedures selected and followed by the management of an organisation in preparing and reporting the financial statements.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Amortisation

The allocation of the value of an intangible asset (less any expected residual value) over its useful life.

Capital Expenditure

Expenditure on the acquisition of a non-current asset or expenditure which enhances, rather than simply maintaining, an existing non-current asset.

Capital Receipts

The proceeds from the sale of non-current assets in excess of £10,000. These are then available to fund future capital investment.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

The account into which Council Taxes and Non-Domestic Rates are paid, for distribution to preceptors, the Council's General Fund, and Central Government.

Community Assets

Assets that an authority intends to hold in perpetuity, that have no determinable useful life and which may have restrictions on their disposal.

Contingent Asset

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.

Contingent Rent

The portion of a lease payment that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time – for example, percentage of future sales, future inflation rates.

Contingent Liability

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority,

or:

a present obligation that arises from past events but is not recognised because:

- a) it is not probable that an outflow of resources will be required to settle the obligation, or
- b) the amount of the obligation cannot be measured with sufficient reliability.

HARROGATE BOROUGH COUNCIL

GLOSSARY OF TERMS FOR THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2020

Creditors

Amounts owed by the Council at year end for which payment has not yet been made.

Current Assets

Current Assets are cash and items that can be readily converted into cash.

Current Liabilities

Current Liabilities are amounts that are due for payment by the Council within the near future.

Current Service Cost (Pensions)

The increase in the value of the pension scheme's future pension liabilities arising from the employees' membership of the pension scheme in the year.

Debtors

Amounts owed to the Council at the year end, where services have been delivered but payment has not been received.

Depreciation

The allocation of the value of an asset (less any expected residual value) over its useful life.

Earmarked Reserves

Earmarked reserves are balances set aside for specific purposes. For each reserve, the purpose, usage and procedures for transactions need to be clearly defined.

Fair Value

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.

Financial Instruments

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Examples include loans and investments.

General Fund (GF)

The account that includes expenditure and income associated with all Council services, apart from the Council's own housing stock (see Housing Revenue Account).

Heritage Assets

Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Examples include museum and art collections, civic regalia and historic buildings and monuments.

Historical Cost

The amount of money originally paid for an asset.

HMRC

Her Majesty's Revenues and Customs.

Housing Revenue Account (HRA)

This account includes the expenditure and income associated with the Council's own housing stock. Under statute, these costs and income must be accounted for separately from the rest of the Council's operations.

HARROGATE BOROUGH COUNCIL

GLOSSARY OF TERMS FOR THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2020

IFRS

International Financial Reporting Standards. These are guidelines and rules set by the International Accounting Standards Boards (IASB) that organisations follow when compiling financial statements. The Council does this by virtue of complying with CIPFA's Code of Practice on Local Authority Accounting, which is based on IFRS.

Impairment

The reduction in value of a non-current asset through physical damage, dilapidation or obsolescence.

Infrastructure Assets

Inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Examples include roads, footpaths and bridges.

Intangible Asset

An identifiable non-monetary asset without physical substance. An example would be computer software.

Minimum Revenue Provision (MRP)

The amount that the Council has calculated to be the prudent amount that it must charge to its revenue account in the year to repay debt, as required by statute.

Non-Domestic Rates (NNDR)

Otherwise known as business rates, these are collected from businesses by the Council. The Council was part of 75% retention pilot in 2019/20 and, as a result, shares of the income were paid over to Central Government (25%), North Yorkshire County Council (21.5%) and North Yorkshire Fire and Rescue Authority (1%), with 52.5% being retained by the Council.

Net Book Value

The amount at which non-current assets are included in the balance sheet. This will be their historical cost or current valuation, less any depreciation that has been charged.

Non-current Assets

Assets such as buildings and vehicles, the benefits of which will be realised over a period of greater than one year.

Operating Lease

Under this type of lease, the risks and rewards of ownership of the leased goods remain with the lessor (the organisation leasing out the goods).

Past Service Cost (Pensions)

The change in the obligation for employee service in prior periods, arising as a result of changes to plan arrangements in the current period. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Precept/Preceptors

A precept is the amount that each non-billing authority (County Council, Police and Crime Commissioner, Fire & Rescue Authority, Parish Councils) asks the Council to collect from taxpayers on its behalf. The County Council etc are known as preceptors.

Provision

A liability of uncertain timing or amount.

HARROGATE BOROUGH COUNCIL

GLOSSARY OF TERMS FOR THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2020

Prudential Borrowing

The Council's borrowing for capital purposes must conform to the Prudential Code, a set of rules governing Local Authority borrowing in the UK which (among other things) requires that borrowing is affordable and prudent.

PWLB

The Public Works Loan Board – a government body that lends money to public sector organisations.

Remeasurements of Pension Assets and Liabilities

The changes in the pension fund surplus or deficit that arise because a) actual events have not coincided with the assumptions made by the actuaries when they last valued the pension fund and/or b) the actuaries have updated the assumptions they've made since the previous valuation of the fund.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure that may be funded from capital resources but that does not result in an asset on the Council's balance sheet.

Revenue Support Grant (RSG)

A general grant paid by Central Government towards the cost of providing local authority services in the area.

Useful Life

The period for which an asset is expected to be available for use.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARROGATE BOROUGH COUNCIL

Report on the financial statements

Opinion

We have audited the financial statements of Harrogate Borough Council ('the Council') for the year ended 31 March 2020, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement, the Housing Revenue Account Income and Expenditure Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - material uncertainty relating to valuations of land and property and investment property

We draw attention to note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land and buildings and investment property. As disclosed in note 4 of the financial statements, the Council's valuer included a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic impacting on the relevant market evidence upon which to base their judgements. Our opinion is not modified in respect of this matter.

Emphasis of Matter - material uncertainty relating to pooled investment property funds

We draw attention to note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's pooled investment property funds. As disclosed in note 4 of the financial statements, the funds in which the Council has invested included a 'material valuation uncertainty' declaration in their year-end statements as a result of the Covid-19 pandemic impacting on the relevant market evidence upon which to base their judgements. Our opinion is not modified in respect of this matter.

Emphasis of Matter - material uncertainty relating to Pension Fund property investment valuations

We draw attention to note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's share of pension fund property investments. As disclosed in note 4 of the financial statements, the Pension Fund has included a 'material valuation uncertainty' in their statements as a result of the Covid-19 pandemic impacting on the relevant market evidence for these investments. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Head of Finance for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Head of Finance is also responsible for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Head of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Head of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

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reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Harrogate Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the Members of Harrogate Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Harrogate Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Kirkham
For and on behalf of Mazars LLP

5th Floor
3 Wellington Place
Leeds
LS1 4AP
Date:

APPENDIX 1

ANNUAL GOVERNANCE STATEMENT
