

## STATEMENT OF ACCOUNTS For the year ended 31 March 2015

### INTRODUCTION

This booklet contains the Statement of Accounts which the Council publishes in accordance with the Accounts and Audit (England) Regulations 2011.

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Appendix 1: Annual Governance Statement

## HARROGATE BOROUGH COUNCIL

### EXPLANATORY FOREWORD: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

1. The Council's accounts for the year ended 31 March 2015 are set out on pages 10 to 67. They consist of:
  - **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 Chartered Institute of Public Finance and Accountancy (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

### EXPLANATORY FOREWORD: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

#### Supplementary Financial Statements:

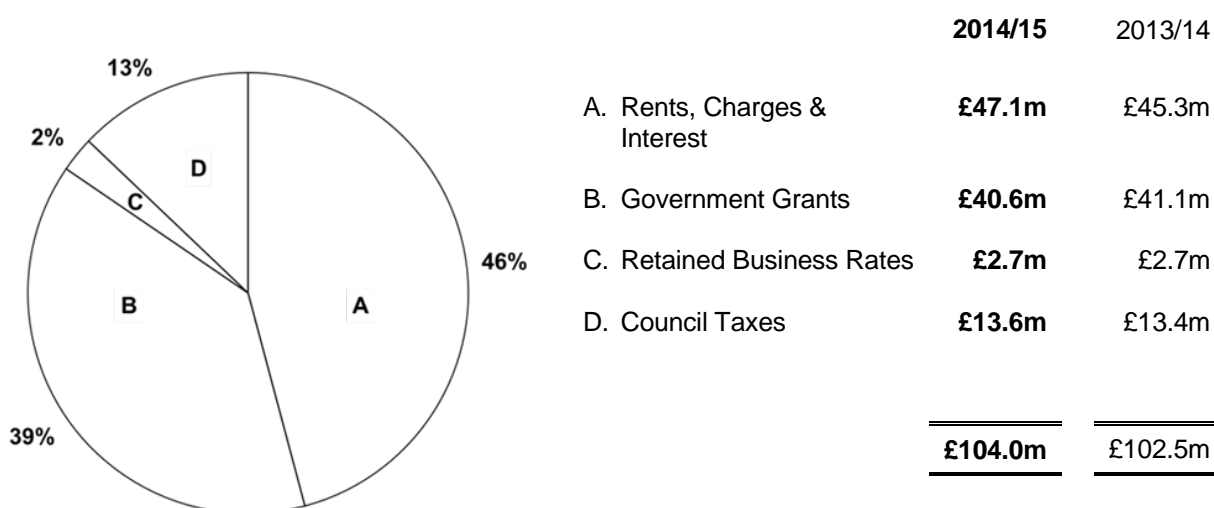
- **the Movement on the Housing Revenue Account (HRA) Statement** – which shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the HRA Balance for the year.
- **the Housing Revenue Account Income and Expenditure Statement** – this Statement shows 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.

2. This foreword provides a brief explanation of the financial aspects of the Council's activities, and draws attention to the main characteristics of the Council's financial position. The three following graphs show in broad terms where the Council's money comes from, what it is spent on, and what services it provides. The graphs relate to the revenue activities of the General Fund and Housing Revenue Account when combined for 2014/15, as shown in the Comprehensive Income and Expenditure Statement on page 13, adjusted to show gross income net of the amount to be paid to the Leeds City Region Business Rate Pool of £21.2m.

#### 3. Where the money comes from (£104.0m)

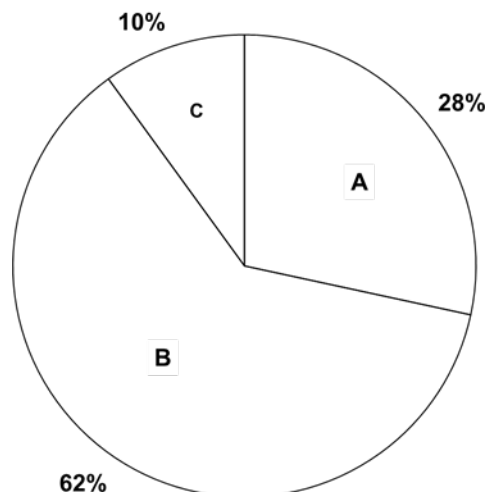


Revenue Support Grant, other general government grants and specific service grants for things like Housing Benefits plus Retained Business Rates which replaced part of Government Grant in 2014/15 provides just over two fifths of the total. Nearly half of the Council's income comes from the services it provides through rents, fees and charges and external interest. Council Taxpayers contribute just over one eighth of the total income.

HARROGATE BOROUGH COUNCIL

EXPLANATORY FOREWORD: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

4. What the money is spent on (£104.0m):

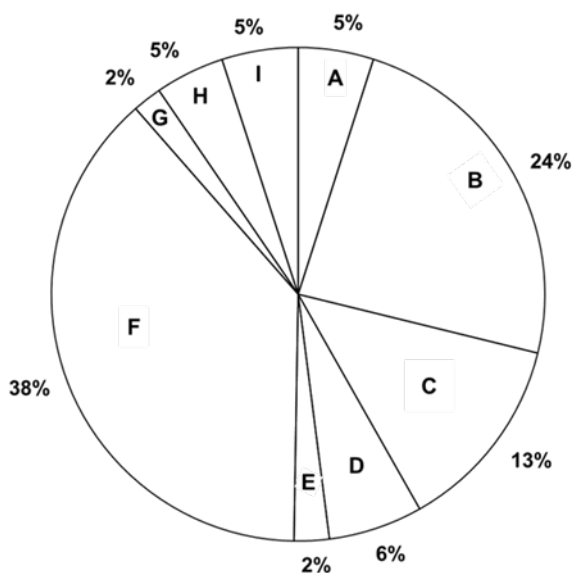


	2014/15	2013/14
A. Employees	£29.5m	£28.7m
B. Running Expenses	£64.1m	£71.4m
C. Treasury Management Expenses	£10.4m	£2.4m
	<u>£104.0m</u>	<u>£102.5m</u>

Running expenses such as maintaining buildings, paying benefits, operating vehicles and purchase of supplies and services take up nearly two thirds of total expenditure. Employees account for just over a quarter of the total. Treasury management charges are mainly the provision for the payment of principal and interest on loans.

5. The Services provided (£88.6m):

Gross Spending per the Comprehensive Income and Expenditure Statement reduced by the levy payment to Leeds City Region Business Rate Pool of £21.2m and before adjustment for General Fund Balance Movements allowed by legislation. See page 13.



	2014/15	2013/14
A. Central Services to the Public	£4.4m	£4.8m
B. Cultural & Related Services	£21.2m	£21.1m
C. Environmental and Regulatory Services	£11.5m	£12.2m
D. Planning Services	£5.5m	£5.3m
Housing Services:		
E. Council Housing	£2.0m	£10.7m
F. Other Housing Services	£33.9m	£34.5m
G. Highways, Roads & Transport	£1.7m	£1.9m
H. Corporate and Non Distributed Costs	£4.0m	£4.0m
I. Other Operating Expenditure	£4.4m	£6.0m
	<u>£88.6m</u>	<u>£100.5m</u>

Central Services to the Public includes council tax collection, administration of Council Tax benefits, land charges, elections and electoral registration, grants to voluntary organisations and one off miscellaneous financial items in the year.

## HARROGATE BOROUGH COUNCIL

### EXPLANATORY FOREWORD: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

Cultural and Related Services includes open spaces, recreation and sport, museums and arts, holiday tourism, and conferences and exhibitions.

Environmental & Regulatory Services includes waste collection, recycling, cemeteries and crematoria, street cleansing, community safety including CCTV, public toilets, licensing, food safety and control of dogs, pests and noise.

Planning Services includes forward planning, development control, building control, and economic development.

Housing Services includes Council Housing, expenditure and income being charged to a separate ring-fenced account called the Housing Revenue Account (see page 62 for details), and other housing services such as homelessness, housing advice, housing benefits and housing improvement grants.

Highways and Transport Services includes the surplus on car parking, and the cost of street furniture and parish lighting.

Corporate Costs includes Democratic Representation and Management, which concerns corporate policy making and all other member based activities, and Corporate Management, which concerns those activities and costs that relate to the general running of the Council.

Non Distributed Costs mainly relates to retirement benefits.

Other Operating expenditure includes Financing and Investment expenditure, precept and grant payments to Parishes and a contribution to the Government's Housing Capital Receipts Pool.

#### General Fund (GF) Budget

6. The main components of the budget for 2014/15 and how these compare with actual income and expenditure are set out below:

	Original Budget £m	Actual £m	Difference £m
Gross Expenditure on Services	83.5	82.2	-1.3
Income	-58.6	-61.7	-3.1
Cost of Services	24.9	20.5	-4.4
Financing and Investment and other operating costs (net)	2.6	2.2	-0.4
Taxation and non-specific Grant Income	-22.8	-23.4	-0.6
<b>Deficit / Surplus (-) on the provision of services for year</b>	<b>4.7</b>	<b>-0.7</b>	<b>-5.4</b>
GF Balance Transfers to/from (-) Reserves	-5.1	1.9	7.0
<b>Net Movement on GF Balance (see page 11)</b>	<b>-0.4</b>	<b>1.2</b>	<b>1.6</b>
GF Balance brought forward	3.7	5.2	1.5
GF Balance carried forward	4.1	4.0	-0.1

7. Gross expenditure was £1.3m lower than budget and income was £3.1m higher than budget, meaning that the cost of services overall was £4.4m lower than budget. In some instances there were items of expenditure and income that were related and netted each other off. In terms of the net variance of -£4.4m, a key difference related to the pension contributions. In line with International Accounting Standard (IAS) 19 (see Accounting

## HARROGATE BOROUGH COUNCIL

### EXPLANATORY FOREWORD: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

Policy, note 1v page 16), service spending was reduced by £1.1m, although this adjustment is reversed out under GF balance transfers to/from reserve.

The Conference and Exhibition centre performed well in the year and the net controllable spend was £271k lower than budget. There was also a £685k business rates refund in relation to the Conference Centre that was not budgeted for. There were significant employee cost savings of £432k within support services, which partly reflects the initial impacts of back-office function reviews, and there were net savings on housing benefits (£115k) and the Tour de France (£119k). Planning and Economic Development income increased significantly (£737k), largely thanks to an increase in planning application fees, whilst Revenues recovery income also increased significantly (£467k). Within Environmental Services, there were increases in recycling sales and credits income (£200k) and an increase in Trade Waste income (£148k), which included £107k for a VAT refund.

8. Other operating expenditure included estimated pension fund net interest on the net defined liability of £1.9m, whereas the outturn IAS 19 figure was £1.3m, a decrease of £0.6m. An adjusting transfer allowed under regulations from the Pensions Reserve, included in GF Balance Transfers, brought the amount charged to the General Fund back to the actual contributions paid in the year which were in line with budgets.

Short term interest rates available throughout the year remained low, due to the continuing economic conditions. However, higher internal balances and some longer term dealing meant that interest returns were £73k above the original estimate.

Financing and Investment and other operating costs variations also included an increase in the payment to the Government for Housing capital receipts of £0.4m. However, this is offset by a transfer from the capital receipts reserve and so has no effect on the net movement on the General Fund balance.

9. Taxation and non-specific grant income includes an additional £0.3m of capital grant income, which was adjusted out of the General Fund net cost under regulations in the GF Balance Transfers line. This line also includes an additional £0.4m of grant in the year to compensate for reduced retained Business Rate income as a result of the Government continuing with various relief schemes, notably for small businesses. However, the Business Rate Retention levy payment to the Leeds City Region Business Rates Pool was up £0.1m.
10. The GF balance transfers to/from reserves includes a number of items to reverse entries within the deficit/surplus on services, including the adjustments in relation to pensions, capital pooling and capital grants mentioned above. Also included here are transfers to and from earmarked reserves, with the outturn including £4.9m more of net transfers to reserve. This includes £1.5m transferred from the working balance in 2014/15 for the agreed use of 2013/14 underspends, as well as £1.6m transferred to the office accommodation reserve agreed as part of the Revised Estimate budget for 2014/15. Also as part of the Revised Estimate budget, it was agreed that £1.4m would be transferred to other earmarked reserves in order to utilise underspends already identified in the year. A further £0.5m has been transferred to reserves at year-end due to there being additional underspends achieved in the year. The overall balance on earmarked reserves at 31 March 2015 was £20.0m – see note 9 on page 30 for more detail.

The opening balance on the GF working balance was £1.5m higher than budgeted, due to the underspends achieved in 2013/14. These underspends, along with the £1.6m for office accommodation, were transferred to earmarked reserves in the year. However, the working balance was replenished by the budgeted £0.4m transfer to reserve along with £1.5m of year-end underspends relating to 2014/15, resulting in a balance at 31 March 2015 of £4.0m.

In summary, the total net GF underspend in 2014/15 was £3.4m, with £1.5m of that being transferred to the working balance and £1.9m being transferred to earmarked reserves.

## HARROGATE BOROUGH COUNCIL

### EXPLANATORY FOREWORD: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

#### Housing Revenue Account Budget

11. The main components of the budget for 2014/15 and how these compare with actual income and expenditure are set out below:

	Original Budget £m	Actual £m	Difference £m
Gross Expenditure	11.9	2.0	-9.9
Income	-17.5	-17.8	-0.3
Net HRA Service Expenditure	-5.6	-15.8	-10.2
HRA Share of other operating costs (net)	1.7	1.1	-0.6
<b>Surplus (-) or Deficit on HRA Services, see page 62</b>	<b>-3.9</b>	<b>-14.7</b>	<b>-10.8</b>
Adjustments between accounting and funding basis under regulations	8.5	17.9	9.4
<b>Net Movement on HRA Balance</b>	<b>4.6</b>	<b>3.2</b>	<b>-1.4</b>
HRA balance brought forward	12.9	15.0	2.1
HRA balance carried forward	8.3	11.8	3.5

12. Gross expenditure was lower than the original budget by £9.9m. This was primarily due to an £8.8m asset revaluation gain, along with savings within repairs and maintenance budgets totalling £0.6m. Various further savings were also achieved, notably on salaries budgets, where a number of posts have been held vacant, and the write-offs budget.

Income was £0.3m higher than budget, mainly due to the housing repairs team recharging the General Fund and Housing capital programme for works carried out on their behalf.

The HRA share of net operating costs was £0.6m lower than budgeted, due to a £0.6m gain on the sale of non-current assets.

The £9.4m increase on adjustments between accounting and funding basis includes the reversals of the gains on revaluation and sale of assets described above (£8.8m and £0.6m), ensuring that these items have no net effect on the movement on the HRA balance.

These variations mean that the net deficit on the HRA for 2014/15 was £3.2m instead of the budgeted for £4.6m. The HRA working balance brought forward was £15.0m, which was £2.1m higher than originally forecast, and the balance carried forward is therefore £11.8m.

#### Capital

13. In 2014/15 the Council spent £6.1m on capital projects compared with the original budget of £5.8m. A large part of the capital spending (£4.7m) was on the Housing Investment Programme in line with the original budget. New Housing capital spending of £1.4m for 2014/15 was approved in the year but these schemes have mostly now been reprogrammed to 2015/16.
14. Capital spending of £1.38m on non-housing schemes was higher than the original budget of £1.06m due to additional capital spending being approved during the year; £163k for the provision of Ripon Skate Park, £140k for the purchase of multifunctional devices/printers, £72k for work at Ripon & Kirkby Malzeard cemeteries, and purchases of equipment and art work totalling £93k. These increases were offset by reduced spending on Open Space & Community Facilities of £83k, the purchase of a replacement fuel tank of £40k and Computer hardware of £24k, which have been reprogrammed to 2015/16.
15. Capital receipts from asset sales etc during the year totalled £1.4m (including £1.3m from the sale of Housing Revenue Account houses and land) and the pooled share of these receipts paid over to the Government was £0.8m. Capital expenditure in 2014/15 was funded from Housing Revenue Account revenue contributions including Major Repairs Reserve (£4.3m) and earmarked General Fund Reserves (£1.0m), grants and contributions (£0.7m) and capital receipts (£0.1m).

## HARROGATE BOROUGH COUNCIL

### EXPLANATORY FOREWORD: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

#### **Borrowing**

16. Total outstanding loans owed to external parties amount to £60.1m. This figure is offset by external lending totalling £27m. The Housing Revenue Account has an underlying borrowing requirement for capital of £67.8m, offset by its cash balances of £11.9m. However, these figures should be viewed in relation to the Council's assets which have a net book value of £263m and an insurance value of over £640m.

#### **Pension Liability**

17. The Council's share of the net liability on the North Yorkshire Pension Fund is £45.6m at 31 March 2015. This is a long-term position, and contribution rates are set to meet 100% of local authorities' liabilities over time, under Pension Fund Regulations.

#### **Current Economic Climate**

18. The economy has shown signs of improvement in 2014/15 but the previous downturn continues to have an effect on the Council's accounts. Continuing low interest rates available on the Council's investments mean interest earnings on balances were at the same low level as prior year despite longer term dealings and higher internal balances in reserves.

Other sales, fees and charges showed some improvement, particularly on car parking and planning, and other income streams like the sale of recyclates. The Conference & Exhibitions centre had an improved year, with income up by over £1.3m on the previous year's figure, albeit offset by increased expenditure of £0.9m.

The Council's public conveniences, small urban sites and rural sites were due their 5 year revaluation review in the year. Some of these properties showed revaluation losses due to the reduction in income streams since the last revaluation. However, most of the losses were met from previous revaluation gains held in the revaluation reserve. Small revaluation gains (mainly for public conveniences and street cleansing assets) were also credited to services to reverse revaluation losses previously charged to revenue so the net amount required to be charged to service revenue accounts was just £18k compared to the previous year's £0.7m.

Housing Revenue Account assets had their full 5 yearly Beacon inspection and revaluation, and Investment Properties had their normal annual review. Council Houses showed a revaluation gain of £8.8m compared to just £30k in 2013/14, which was credited to the HRA to reverse previous revaluation losses, and Investment Properties a revaluation gain of £0.1m, which was credited to the Financing and Investment line in the Comprehensive Income and Expenditure Statement. The total net revaluation gains of £8.9m were reversed centrally from the General Fund and HRA to the Capital Adjustment Account so there is no impact on Council Taxes or Housing Rents.

As the economy improves it is expected that trading profits and property prices will continue to recover and the revaluation losses in prior years will be reversed.



## HARROGATE BOROUGH COUNCIL

### EXPLANATORY FOREWORD: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

#### Changes

19. The accounting code for the 2014/15 accounts required the Council to adopt the following new or amended accounting standards from the 1 April:

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (as amended in 2011), IAS 28 Investments in Associates and Joint Ventures (as amended in 2011), IAS 32 Financial Instruments: Presentation, and Annual Improvements to IFRS 2009-2011 Cycle.

None of these had a material impact on the Council's accounts for 2014/15 or required a change in accounting policy. Other accounting standards that have been amended but not yet adopted in the code for the 2014/15 accounts are shown in note 3 to the accounts.

Following the changes to the senior management structure and the reduction in the number of Directors from six to four from 1 April 2014, the Council's internal reporting arrangements by Business Units and Cabinet portfolios were also reviewed. These changes are reflected in the table in note 19 to the accounts, which shows the amounts reported for resource allocation decisions by the new Cabinet Portfolios and how these reconcile to the Net Cost of Services shown in the Comprehensive Income and Expenditure Statement on the statutory external reporting basis. The prior year table has been restated to be comparable with the new reporting portfolios.

The net cost of services reduced by £12.5m from 2013/14 to 2014/15, from £17.3m to £4.8m, per the Comprehensive Income and Expenditure Statement. There was a £9.4m reduction in revaluation losses, as described in note 32 on page 59, which accounts for the majority of this change. However, there were some notable variances within some services. Within Central Services, income from revenues recovery increased by £305k, whilst the cost of district elections increased by £136k. The net cost of the Conference and Exhibition Centre decreased significantly by £1,209k, which included increased external income of £1,328k, offset by increased costs of £913k, and a saving from an NDR refund of £685k. Parks and Open Spaces costs reduced by £160k, primarily due to resurfacing and other repairs that took place in 2013/14 and weren't repeated in 2014/15. Also within Cultural Services, expenditure on the Tour de France was £424k higher in 2014/15. Within Environmental Services, there was a reduction in costs of £192k due to one-off Alternate Weekly Collection implementation costs in 2013/14. Recycling credits and sales income increased by £119k, reflecting an increase in the recycling collection rate, and trade waste income increased by £140k, largely due to a one-off VAT refund of £107k. Fuel costs were £59k lower than in 2013/14, whilst cremations and burials income increased by £93k in 2014/15. Within Planning services, rental income increased by £96k, which included £45k in relation to farms, which were previously classed as investment properties. The net cost of the Housing Revenue Account reduced by £901k, largely due to an increase in rental income of £709k, due to rents increasing in line with Government guidance, and a reduction in repairs and maintenance costs of £161k. Within Housing General Fund, there was a reduction in cost of £90k following a review of the allocation of overheads between the General Fund and HRA, whilst the net cost of Housing benefits reduced by £93k. The net cost of Highways and Transport was down due to car parking income increasing by £187k, offset by an additional £58k of resurfacing works carried out in 2014/15. Within Corporate and Democratic Core there was an additional £541k of expenditure associated with the office accommodation project, which was funded from reserve. The cost of Democratic Representation and Management reduced by £228k following a review of the salary allocations, whilst the costs of employee termination benefits included in Non-Distributed Costs decreased by £240k, following the senior management review in 2013/14.

20. There has been no major change in the Council's statutory functions during the year.

## HARROGATE BOROUGH COUNCIL

### EXPLANATORY FOREWORD: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

#### Planned Future Developments in Service Delivery

21. Following on from the Senior Management restructure which came into effect in 2014/15, all aspects of the Council's support services have been under review with the aim of reducing costs and increasing efficiency, which will yield savings from 2015/16 onwards.

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. Transformation activity is organised through three strands: Accommodation, Workplace and Improvement. The Accommodation project is reaching its latter stages with a final decision on new offices expected in Summer 2015. The Workplace Board is progressing work on agile working, document management and energy, in order to support more efficient use of resources. The Improvement Board will focus on exploring opportunities for income generation and embedding a continuous improvement culture.

#### Significant Provisions

22. There were two significant provisions made in the accounts for 2014/15; a provision of £1.1m for the Council's estimated liability under the new Business Rate Retention scheme for appeals against Non-Domestic rate bills issued in 2014/15 and earlier years still to be settled, and another for £0.3m for redundancy payments. See notes 17 and 27 to the financial statements for more information.

#### Material Events After Reporting Date

23. There were no material events after the reporting date.

#### Further Information

24. Further information about the accounts is available from Graham Byrne at Finance, Corporate Affairs, Scottsdale House, Harrogate HG1 2HR, telephone (01423) 500600 extension 56106 or email [financeinformation@harrogate.gov.uk](mailto:financeinformation@harrogate.gov.uk). This is part of the Council's policy of providing full information about Council affairs.
25. 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 in the local press. The audit of the accounts for the financial year 2014/15 commences in June 2015.

## HARROGATE BOROUGH COUNCIL

### STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

#### 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 2015 and its income and expenditure for the year then ended.

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**Andrew Crookham CPFA, Head of Finance**

29 September 2015

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#### 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 29 September 2015.

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**Councillor S Theakston, Chair of Audit & Governance Committee**

29 September 2015

## HARROGATE BOROUGH COUNCIL

### MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Capital Receipts Reserve £'000	HRA Major Repairs Reserve £'000	Earmarked GF Reserves £'000 Note 9	Capital Grants Unapplied £'000	General Fund Balance £'000	Housing Revenue Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000 Note 18	Total Reserves £'000
<b>Balance at 31 March 2014</b>	3,030	77	16,561	1,064	5,214	15,043	40,989	130,615	171,604
<b>Movement in Reserves during 2014/15</b>									
Surplus or Deficit(-) on provision of services	0	0	0	0	683	14,681	15,364	0	15,364
<b>Other Comprehensive Income and Expenditure</b>									
Surplus or Deficit(-) on the Revaluation of non-current assets	0	0	0	0	0	0	0	1,816	1,816
Remeasurements of pension assets/liabilities	0	0	0	0	0	0	0	-14,726	-14,726
<b>Total Comprehensive Income and Expenditure</b>	0	0	0	0	683	14,681	15,364	-12,910	2,454
<b>Adjustments between accounting basis and funding basis under regulations:</b>									
Depreciation, impairment and revaluation losses of non-current assets	0	0	0	0	2,808	0	2,808	-2,808	0
Excess of depreciation charged to HRA over MRA	0	3,889	0	0	0	-8,790	-4,901	4,901	0
Movements in the fair value of investment properties	0	0	0	0	-75	0	-75	75	0
Capital grants and contributions credited to the CI&E Statement	0	0	0	555	-555	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	0	0	38	0	38	-38	0
Net gain or loss on sale or derecognition of non-current assets	1,441	0	0	0	27	-623	845	-845	0
Transfer to/from Deferred Capital Receipts	0	0	0	0	14	0	14	-14	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	138	-115	23	-23	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	35	0	35	-35	0
Amount by which short term accumulating absences charged to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	7	0	7	-7	0
Statutory Provision for repayment of Principal	0	0	0	0	-628	-8,000	-8,628	8,628	0
Capital expenditure charged to the General Fund/HRA Balances	0	0	0	0	-1,023	-415	-1,438	1,438	0
Transfer from Capital Receipts Reserve equal to amount payable to Housing Receipts Pool	-776	0	0	0	776	0	0	0	0
Usable Reserves used to Finance Capital Expenditure	-38	-3,862	0	-457	0	0	-4,357	4,357	0
<b>Net Increase/Decrease(-) before transfers to Earmarked Reserve</b>	627	27	0	98	2,245	-3,262	-265	2,719	2,454
Transfers to/from Earmarked Reserves	0	0	3,429	0	-3,429	0	0	0	0
<b>Increase /Decrease(-) in year</b>	627	27	3,429	98	-1,184	-3,262	-265	2,719	2,454
<b>Balance at 31 March 2015 carried forward</b>	3,657	104	19,990	1,162	4,030	11,781	40,724	133,334	174,058

## HARROGATE BOROUGH COUNCIL

### MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Capital Receipts Reserve £'000	HRA Major Repairs Reserve £'000	Earmarked GF Reserves £'000 Note 9	Capital Grants Unapplied £'000	General Fund Balance £'000	Housing Revenue Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000 Note 18	Total Reserves £'000
<b>Balance at 31 March 2013</b>	2,630	838	17,551	956	3,942	10,723	36,640	81,628	118,268
<b>Movement in Reserves during 2013/14</b>									
Surplus or Deficit(-) on provision of services	0	0	0	0	-2,882	4,948	2,066	0	2,066
<b>Other Comprehensive Income and Expenditure</b>									
Surplus or Deficit(-) on the Revaluation of non-current assets	0	0	0	0	0	0	0	1,372	1,372
Remeasurements of pension assets/liabilities	0	0	0	0	0	0	0	49,898	49,898
<b>Total Comprehensive Income and Expenditure</b>	0	0	0	0	-2,882	4,948	2,066	51,270	53,336
<b>Adjustments between accounting basis and funding basis under regulations:</b>									
Depreciation, impairment and revaluation losses of non-current assets	0	0	0	0	3,473	0	3,473	-3,473	0
Excess of depreciation charged to HRA over MRA	0	3,729	0	0	0	-30	3,699	-3,699	0
Movements in the fair value of investment properties	0	0	0	0	-374	0	-374	374	0
Capital grants and contributions credited to the CI&E Statement	0	0	0	1,305	-1,305	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	0	0	83	0	83	-83	0
Net gain or loss on sale or derecognition of non-current assets	1,120	0	0	0	91	-533	678	-678	0
Transfer to/from Deferred Capital Receipts	2	0	0	0	36	0	38	-38	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	2,955	-65	2,890	-2,890	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	375	0	375	-375	0
Amount by which short term accumulating absences charged to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	14	0	14	-14	0
Statutory Provision for repayment of Principal	0	0	0	0	-645	0	-645	645	0
Capital expenditure charged to the General Fund/HRA Balances	0	0	0	0	-2,178	0	-2,178	2,178	0
Transfer from Capital Receipts Reserve equal to amount payable to Housing Receipts Pool	-639	0	0	0	639	0	0	0	0
Usable Reserves used to Finance Capital Expenditure	-83	-4,490	0	-1,197	0	0	-5,770	5,770	0
<b>Net Increase/Decrease(-) before transfers to Earmarked Reserves</b>	400	-761	0	108	282	4,320	4,349	48,987	53,336
Transfers to/from Earmarked Reserves	0	0	-990	0	990	0	0	0	0
<b>Increase /Decrease(-) in year</b>	400	-761	-990	108	1,272	4,320	4,349	48,987	53,336
<b>Balance at 31 March 2014 carried forward</b>	3,030	77	16,561	1,064	5,214	15,043	40,989	130,615	171,604

HARROGATE BOROUGH COUNCIL

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	2014/15 Expenditure £'000	2014/15 Income £'000	2014/15 Net Cost £'000	2013/14 Expenditure £'000	2013/14 Income £'000	2013/14 Net Cost £'000
<b>Central Services to the Public</b>	4,373	3,796	577	4,784	3,813	971
<b>Cultural &amp; Related Services</b>	21,173	13,885	7,288	20,670	12,440	8,230
<b>Cultural Services Revaluation Losses</b>	0	0	0	441	0	441
<b>Environmental and Regulatory Services (note 32)</b>	11,489	4,910	6,579	12,199	4,813	7,386
<b>Planning Services (note 32)</b>	5,472	3,097	2,375	5,276	2,862	2,414
<b>Housing Services - Local Authority Housing (HRA)</b>	10,826	17,806	-6,980	10,770	16,891	-6,121
<b>Housing Services - HRA Revaluation Losses (note 32)</b>	-8,790	0	-8,790	-30	0	-30
<b>Housing Services – Other Housing Services</b>	33,922	32,390	1,532	34,489	32,726	1,763
<b>Highways &amp; Transport Services</b>	1,690	3,328	-1,638	1,923	3,436	-1,513
<b>Corporate &amp; Democratic Core</b>	3,452	120	3,332	3,268	188	3,080
<b>Non Distributed Costs</b>	578	90	488	719	83	636
<b>Cost of Services</b>	<b>84,185</b>	<b>79,422</b>	<b>4,763</b>	<b>94,509</b>	<b>77,252</b>	<b>17,257</b>
<b>Other Operating Expenditure</b>						
Parish Precepts	634	0	634	601	0	601
Council Tax Support Grants to Parishes	40	0	40	41	0	41
Contribution to Housing Pooled Capital Receipts	776	0	776	639	0	639
Gain(-) or loss on disposal of Non-current assets	0	621	-621	0	469	-469
Other Capital Receipts	0	6	-6	0	3	-3
<b>Financing &amp; Investment Income &amp; Expenditure</b>						
External Interest Payments	1,766	0	1,766	1,771	0	1,771
Net Interest on the Net Defined Benefit Liability (Asset) (note 31)	1,283	0	1,283	3,238	0	3,238
External Interest Income	0	313	-313	0	317	-317
Investment Property Income & Expenditure (note 32)	-74	225	-299	-346	277	-623
<b>Taxation and Non Specific Grant Income</b>						
Income from Council Tax	0	13,604	-13,604	0	13,403	-13,403
Capital Grant Income (note 23)	0	555	-555	0	1,305	-1,305
Other Non-ringfenced Government Grants (note 23)	0	2,627	-2,627	0	1,904	-1,904
Revenue Support Grant	0	3,916	-3,916	0	4,914	-4,914
Non-Domestic Rates Income and Expenditure	21,198	23,883	-2,685	20,408	23,083	-2,675
<b>Surplus(-) or Deficit on the Provision of Services</b>	<b>109,808</b>	<b>125,172</b>	<b>-15,364</b>	<b>120,861</b>	<b>122,927</b>	<b>-2,066</b>
Surplus(-) or Deficit on the Revaluation of Non-current Assets			-1,816			-1,372
Remeasurements pension assets/liabilities (note 31)			14,726			-49,898
<b>Other Comprehensive Income &amp; Expenditure</b>			<b>12,910</b>			<b>-51,270</b>
<b>Total Comprehensive Income &amp; Expenditure</b>			<b>-2,454</b>			<b>-53,336</b>

**HARROGATE BOROUGH COUNCIL**  
**BALANCE SHEET AS AT 31 MARCH 2015**

		<b>31 March</b>		
	<b>Note</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Property, Plant & Equipment	<b>10</b>			
Council Dwellings		<b>154,029</b>	145,529	144,035
Other Land & Buildings		<b>57,336</b>	54,903	55,973
Vehicles, Plant & Equipment		<b>6,667</b>	6,812	6,144
Infrastructure Assets		<b>974</b>	1,223	1,598
Community Assets		<b>1,850</b>	1,777	1,925
Surplus Assets		<b>623</b>	606	613
Assets Under Construction		<b>8</b>	0	0
		<b>221,487</b>	210,850	210,288
Heritage Assets	<b>11</b>	<b>36,882</b>	35,893	35,067
Investment Property	<b>12</b>	<b>4,605</b>	7,334	6,960
Long Term Debtors				
Housing Loans	<b>13</b>	<b>672</b>	685	718
Mortgages	<b>13</b>	<b>0</b>	1	8
		<b>672</b>	686	726
<b>Long Term Assets</b>		<b>263,646</b>	254,763	253,041
Short Term Investments	<b>13</b>	<b>19,133</b>	21,155	10,243
Inventories	<b>14</b>	<b>156</b>	182	176
Short Term Debtors	<b>15</b>	<b>3,958</b>	4,114	3,658
Cash & Cash Equivalents				
Cash In Hand/At Bank		<b>20</b>	20	19
Cash Equivalents	<b>13</b>	<b>7,965</b>	4,150	8,951
		<b>7,985</b>	4,170	8,970
<b>Current Assets</b>		<b>31,232</b>	29,621	23,047
Bank Overdraft		<b>-581</b>	-24	-102
Short Term Borrowing	<b>13</b>	<b>-26</b>	-8,027	-30
Short Term Creditors	<b>16</b>	<b>-12,102</b>	-10,924	-9,624
Provisions	<b>17</b>	<b>-2,151</b>	-1,569	-905
Grants Receipts In Advance (Revenue)	<b>23</b>	<b>-258</b>	-1,280	-1,192
<b>Current Liabilities</b>		<b>-15,118</b>	-21,824	-11,853
Long Term Borrowing	<b>13</b>	<b>-60,090</b>	-60,093	-68,096
Other Long Term Liabilities				
Pensions Liability	<b>28</b>	<b>-45,612</b>	-30,863	-77,871
<b>Long Term Liabilities</b>		<b>-105,702</b>	-90,956	-145,967
<b>Net Assets</b>		<b>174,058</b>	171,604	118,268
Usable Reserves				
Usable Capital Receipts Reserve		<b>3,657</b>	3,030	2,630
Major Repairs Reserve		<b>104</b>	77	838
Earmarked Reserves	<b>9</b>	<b>19,990</b>	16,561	17,551
Capital Grants Unapplied Account		<b>1,162</b>	1,064	956
Working Balances:				
General Fund		<b>4,030</b>	5,214	3,942
HRA		<b>11,781</b>	15,043	10,723
Unusable Reserves				
Revaluation Reserve	<b>18</b>	<b>40,040</b>	38,560	37,530
Capital Adjustment Account	<b>18</b>	<b>139,091</b>	123,047	121,670
Deferred Capital Receipts	<b>18</b>	<b>672</b>	686	725
Pensions Reserve	<b>18</b>	<b>-45,612</b>	-30,863	-77,871
Accumulating Absences Adjustment Account	<b>18</b>	<b>-468</b>	-461	-447
Collection Fund Adjustment Account	<b>18</b>	<b>-389</b>	-354	21
<b>Total Reserves</b>		<b>174,058</b>	171,604	118,268

**HARROGATE BOROUGH COUNCIL**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015**

	2014/15 £'000	2013/14 £'000
<b>Operating Activities</b>		
Net Surplus (-) or deficit on the provision of services excluding interest transactions:		
External Interest paid	-16,817	-3,520
External Interest received	1,766	1,771
	<u>-313</u>	<u>-317</u>
<b>Net Surplus (-) or deficit on the provision of services</b>	<b>-15,364</b>	<b>-2,066</b>
<b>Adjust net surplus (-) or deficit for non-cash movements:</b>		
Depreciation and amortisation	-2,790	-2,812
Impairment and downward revaluations	8,847	-257
Increase(-)/decrease in impairment for bad debts	21	-520
Increase(-)/decrease in other provisions	-581	-664
Increase(-)/decrease in creditors	240	-1,417
Increase/decrease(-) in debtors	-256	977
Increase/decrease(-) in inventories	-25	5
Pension Liability – contributions more/less(-) than IAS19 Costs	-23	-2,890
Carrying amount of non-current assets sold or derecognised	-844	-677
Increase(-)/decrease in Major Repairs Reserve (MRR)	-27	761
<b>Adjust net surplus(-) or deficit for investing activity items:</b>		
Less purchase of property, plant and equipment from MRR	-3,862	-4,490
Proceeds from the sale of non-current assets	1,440	1,120
Less Capital Grants credited to CI&ES	555	1,305
Less other Capital Receipts	-14	-37
	<u>-12,683</u>	<u>-11,662</u>
<b>Net Cash Flows from Operating Activities</b>		
<b>Investing Activities</b>		
Purchase of property, plant & equipment and intangible assets	5,874	7,623
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-1,441	-1,123
Capital grants received	-476	-1,305
Proceeds from (-)/purchase of short term deposits	-2,022	10,912
	<u>1,935</u>	<u>16,107</u>
<b>Net Cash Flows from Investing Activities</b>		
<b>Financing Activities</b>		
Repayments of long & short term borrowing	8,004	7
Change in net debtors for Council Tax and NNDR income	-514	270
	<u>7,490</u>	<u>277</u>
<b>Net Cash Flows from Financing Activities</b>		
<b>Net Increase (-)/decrease in cash &amp; cash equivalents</b>	<b>-3,258</b>	<b>4,722</b>
<b>Cash &amp; Cash Equivalents at the beginning of the reporting period</b>		
Bank overdraft	24	102
Cash at Bank/in hand	-20	-19
Cash Equivalents*	-4,150	-8,951
	<u>-4,146</u>	<u>-8,868</u>
<b>Cash &amp; Cash Equivalents at the end of the reporting period</b>		
Bank overdraft	581	24
Cash at Bank/in hand	-20	-20
Cash Equivalents*	-7,965	-4,150
	<u>-7,404</u>	<u>-4,146</u>

\* Short Term Investments with less than one month to maturity at balance sheet date  
Credit cash balances depicted as negative amounts



## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

#### 1. Accounting Policies

##### i. General Principles

The Accounts have been prepared in accordance with the 2014/15 Code of Practice on Local Authority Accounting issued in February 2014 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 the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – 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 the balance sheet date.

##### 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

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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.

#### **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 the Non Distributed Costs 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 28a-i on pages 53 to 57.

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 3.3% (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:

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

#### **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
- 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.

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

- 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 initially measured at fair value and carried at their amortised cost. Annual charges to 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. 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 in the loan agreement.

Any gains or losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

#### **viii. Financial Assets**

The Council's Financial Assets are all classed as loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost. Annual credits to 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 loans that the Council has made 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 in the loan agreement.

#### **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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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 over £10,000 are normally purchases either at auction or from private collections and are funded using capital grants and contributions received for this purpose. These items 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.

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](http://www.harrogate.gov.uk) in the updated Collection Development Policy approved in February 2014.

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.

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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 Property Officer (Assets). 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**

Intangible assets (e.g. software licences) are valued at cost and depreciated over their economic lives (generally three years) on a straight line basis.

#### **xii. Inventories**

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

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

#### 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 this criteria.

An Investment Property is initially recognised at cost, but is 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 (page 52 note 26) 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 (page 52 note 26).

#### xv. Costs of Support Services

Costs of management and administration have been allocated to the total cost of services in accordance with CIPFA's Service Reporting Code of Practice. The basis of allocation used for the main costs of management and administration is outlined below:

<b>Cost</b>	<b>Basis of Allocation</b>
Finance, Administration	Estimated time spent by staff
Computing	Actual use

#### **Corporate and Democratic Core and Non Distributed Costs**

Under Accounting rules some overheads are classed as Corporate and collected centrally rather than being allocated across services. These include Committee Administration, Councillors' Allowances, the cost of the Chief Executive and his support staff, costs for the preparation of Statutory Accounts, and Pension costs of former employees.

#### 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 and £5,000 for equipment for schemes to be included on the Council's capital programme). Property, Plant and Equipment assets are included in the Balance Sheet at fair value. For land and buildings this is market value in existing use (or depreciated replacement cost, if there is no market based evidence of fair 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 fair value.

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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 (generally over 60 years, and 40 years for houses). Depreciation on small items of plant and equipment is calculated on a straight line basis over periods ranging from 4 to 12 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. Under current regulations the Council charges an amount equal to the uprated Major Repairs Allowance (which was part of the Government subsidy until 1 April 2012) for depreciation on Council Dwellings to the Housing Revenue Account. This is regarded as an acceptable proxy for depreciation based on the asset lives of the Council's Housing Stock.

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 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.

#### **Donated Assets**

Donated non-current assets transferred to the Council are recognised immediately at fair value on the Balance Sheet and the difference between the fair value and any consideration paid is recognised in the Comprehensive Income and Expenditure Statement as income,



## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

except where the transfer has conditions that the Council has not yet satisfied. In this case the difference is credited to a Donated Asset Account and recognised in the Comprehensive Income and Expenditure Statement once the conditions have been satisfied.

Where a donated asset is recognised as income in the Comprehensive Income and Expenditure Statement, the income is transferred from the General Fund or Housing Revenue Account to the Capital Adjustment Account and the transfer reported in the Movement on Reserves Statement.

After initial recognition, donated assets are re-valued and depreciated in the same way as other non-current assets.

#### **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 re-valued. 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 (approximately 60% for dwellings and 50% for land and other assets, net of statutory deductions and allowances) 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 (page 11) 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.

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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 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.

The main provisions the Council has made are for impairment of debtors (see note 15 page 39), redundancies, energy bills and for the part of known outstanding insurance claims to be paid for by the Council instead of the insurance company. The transactions are summarised in note 17 to the Financial Statements, on page 40.

#### **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.

The Council's usable reserves are described in more detail in note 8 to the Financial Statements on page 29 and the detailed movements in the year on each of the General Fund earmarked reserves set out in note 9 on page 30.

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 18 to the Financial Statements on page 41.

#### **ixx. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service revenue account 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. See the Movement in Reserves Statement on page 11.

#### **xx. 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.

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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.

#### **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 (page 66).

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, provision for bad debts and provision for appeals are shared between the Government 50%, NYCC 9%, NYFRA 1% and the Council 40%.

Council Tax accrued income for the year and Council Taxpayers debtors, creditors and provision for bad 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 year. The current year allocation is Harrogate Borough Council 15%, NYCC 68%, NYPCC 13% and NYFRA 4%.

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.

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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.

#### **2. Changes in Accounting Policies**

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 requires the Council to adopt the amendments to the following accounting standards from 1 April 2014:

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (as amended in 2011), IAS 28 Investments in Associates and Joint Ventures (as amended in 2011), IAS 32 Financial Instruments: Presentation, and Annual Improvements to IFRS 2009-2011 Cycle.

None of these have a material impact on the Council's accounts for 2014/15 or require a restatement of the 2013/14 statements.

#### **3. Accounting Standards Issued but not yet Adopted**

The Code for the 2015/16 accounts requires the Council to adopt the amendments to the following accounting standards from 1 April 2015:

IFRS 13 Fair Value Measurement, Annual Improvements to IFRSs 2011-2013 Cycle and IFRIC 21 Levies

Neither of these are expected to have a material impact on the Council's Accounts for 2015/16 or require a restatement of the 2014/15 financial statements.

#### **4. Critical Judgements in Applying Accounting Policies**

In applying the Accounting Policies set out in note 1(i) – (xxiv) on pages 16 to 27, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

#### **5. 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are:

**HARROGATE BOROUGH COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Valuations of property, plant and equipment	Judgements are made by valuers when valuing property.	Discussed in more detail below.
(a) Council dwellings	In addition to the judgements made by valuers, the value of council dwellings is affected by adjustment factors prescribed by the Government.	A movement of 1% in the adjustment factor will change the balance sheet value of council dwellings by approximately £5m. Under current accounting rules, any revaluation gain or loss has no impact on the Housing Revenue Account (HRA) Balance or council dwelling rents.
(b) Other property, plant and equipment	Judgements are made by valuers when valuing property.	The balance sheet values of the non-current assets could change. Under current accounting rules, any revaluation gain or loss has no impact on the General Fund or HRA Balances.
Useful lives and residual values of property, plant and equipment	Judgements are made by valuers when valuing property.	The amount of depreciation charged to the accounts could differ. A movement of 1 year in all of the asset lives would result in a £70k change in the depreciation charge. 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.
Business Rates	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 2015. The estimate has been calculated using the Valuation Office ratings list of appeals and historical analysis of successful appeals.	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 increasing by £262k. The Council's share of this provision is 40%.
Pensions Liability	Estimation of the net liability to pay pensions 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 inflation assumption would increase the pensions liability by £4.2m. However, changes are complex because the different assumptions interact. Under current accounting rules, a change in the pensions liability does not impact upon the net cost of the General Fund or HRA Balances.

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

#### 6. Material Items of Income and Expenditure

None.

#### 7. 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 29 September 2015 have been considered and there are no Post Reporting Period Events to disclose.

#### 8. 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 2015

9. Total Movement on General Fund Earmarked Reserves

	1 April 2014 Restated*	Transfers In 2014/15	Transfers Out 2014/15	31 March 2015
	£'000	£'000	£'000	£'000
Capital Reserves (including pool reserves)	4,310	3,104	739	6,675
Business Unit Reserves	3,105	1,161	1,008	3,258
Vehicle Reserve	880	730	590	1,020
Computer Reserves (including desktop replacement)	925	630	553	1,002
Traffic Reduction Measures Reserve	0	790	0	790
Insurance Reserve	694	127	271	550
Corporate Projects Reserve	657	0	131	526
Innovate Reserve	395	470	220	645
Council Tax/Housing Benefit Reserve	728	120	218	630
Parks/Bereavement Investment Reserves	702	192	231	663
Culture Investment Reserve	536	0	256	280
Other Earmarked Reserves	3,629	2,048	1,726	3,951
<b>Total 2014/15</b>	<b>16,561</b>	<b>9,372</b>	<b>5,943</b>	<b>19,990</b>

	1 April 2013	Transfers In 2013/14	Transfers Out 2013/14	31 March 2014
	£'000	£'000	£'000	£'000
Capital Reserves	4,241	452	1,336	3,357
Business Unit Reserves	3,246	791	932	3,105
Computer Reserve	929	434	731	632
Insurance Reserve	720	88	114	694
Corporate Projects Reserve	843	13	199	657
Pension Funding Reserve	494	49	410	133
Vehicle Reserve	896	698	714	880
Nidderdale & Ripon Pool Reserves	927	26	0	953
Innovate Reserve	378	339	322	395
Council Tax/Housing Benefit Reserve	695	128	95	728
Bereavement Investment Reserve	431	136	121	446
Culture Investment Reserves	862	104	174	792
Other Earmarked Reserves	2,889	1,474	574	3,789
<b>Total 2013/14</b>	<b>17,551</b>	<b>4,732</b>	<b>5,722</b>	<b>16,561</b>

\*The total opening balance for 2014/15 has not changed – the reserves have been combined differently so as to show separately the largest balances.

Business Unit Reserves are built up from annual savings and are available e.g. to fund essential investment.

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.

The Insurance Reserve is held to meet any future self-insurance liabilities and other Earmarked Reserves are set up for specific items of revenue spending in future years. The Vehicle, Computer and Capital reserves are to support capital spending in future years.

A new reserve specifically to fund measures for Traffic Reduction was set up from General Fund savings in 2014/15.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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

a) Movement on Balances 2014/15

	Property, Plant and Equipment							Total PP&E £'000
	Council Dwellings	Other Land & Building	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Cost or Valuation</b>								
1 April 2014	145,529	56,965	13,877	4,925	1,777	620	0	223,693
Additions	3,986	24	1,303	331	73	0	8	5,725
Revaluation Increases/decreases (-) to RR*	168	679	0	0	0	12	0	859
Revaluation Increases/decreases (-) to SDPS**	5,079	-591	-29	0	0	0	0	4,459
Derecognition – Disposals	-733	0	-522	-237	0	0	0	-1,492
Derecognition – Other	0	0	0	-2,192	0	0	0	-2,192
Reclassifications	0	2,792	0	0	0	12	0	2,804
31 March 2015	<u>154,029</u>	<u>59,869</u>	<u>14,629</u>	<u>2,827</u>	<u>1,850</u>	<u>644</u>	<u>8</u>	<u>233,856</u>
<b>Depreciation and Impairment</b>								
1 April 2014	0	-2,062	-7,065	-3,702	0	-14	0	-12,843
Depreciation Charge to SDPS**	-3,730	-1,003	-1,415	-482	0	-7	0	-6,637
Depreciation charge written out on revaluation	3,711	532	28	0	0	0	0	4,271
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	19	0	490	139	0	0	0	648
Derecognition – Other	0	0	0	2,192	0	0	0	2,192
Reclassifications	0	0	0	0	0	0	0	0
31 March 2015	<u>0</u>	<u>-2,533</u>	<u>-7,962</u>	<u>-1,853</u>	<u>0</u>	<u>-21</u>	<u>0</u>	<u>-12,369</u>
<b>Net Book Value at 31 March 2015</b>	<u>154,029</u>	<u>57,336</u>	<u>6,667</u>	<u>974</u>	<u>1,850</u>	<u>623</u>	<u>8</u>	<u>221,487</u>
Net Book Value at 31 March 2014	145,529	54,903	6,812	1,223	1,777	606	0	210,850

\*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 2015

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

b) Movement on Balances 2013/14

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
1 April 2013	144,035	57,370	13,516	4,776	1,925	620	222,242
Additions	5,539	0	2,148	149	29	0	7,865
Revaluation Increases/decreases (-) to <b>RR*</b>	1	580	-35	0	0	0	546
Revaluation Increases/decreases (-) to <b>SDPS**</b>	-3,569	-809	-303	0	-177	0	-4,858
Derecognition – Disposals	-518	-135	-1,449	0	0	0	-2,102
Derecognition – Other	0	0	0	0	0	0	0
Reclassifications	41	-41	0	0	0	0	0
31 March 2014	145,529	56,965	13,877	4,925	1,177	620	223,693
<b>Depreciation and Impairment</b>							
1 April 2013	0	-1,397	-7,372	-3,178	0	-7	-11,954
Depreciation Charge to <b>SDPS**</b>	-3,612	-1,003	-1,395	-524	0	-7	-6,541
Depreciation charge written out on revaluation	3,599	324	303	0	0	0	4,226
Impairment Losses/reversal to <b>RR*</b>	0	0	0	0	0	0	0
Impairment Losses/reversal to <b>SDPS**</b>	0	0	0	0	0	0	0
Derecognition – Disposals	13	14	1,399	0	0	0	1,426
Derecognition – Other	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
31 March 2014	0	-2,062	-7,065	-3,702	0	-14	-12,843
<b>Net Book Value at 31 March 2014</b>	145,529	54,903	6,812	1,223	1,777	606	210,850
Net Book Value at 31 March 2013	144,035	55,973	6,144	1,598	1,925	613	210,288

\*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 2015

**c) Depreciation**

For more information on depreciation methods and rates see Accounting Policy note 1(xvi) on page 22.

**d) Capital Commitments**

The Council has authorised expenditure in 2015/16 of £7.9m (plus expenditure carried forward from 2014/15). Part of this is contractually committed at 31 March 2015, the small commitment of £45k being for the Vehicle Replacement Programme (£0.2m 31 March 2014 for the Alternate Weekly Collection Scheme).

**e) Effects of changes in Estimates**

Some properties were reclassified from Investment Properties to Property Plant & Equipment in the year (see note 12), which resulted in a revaluation loss to Planning Services rather than Investment Property income and expenditure, but there were no other material charges in the 2014/15 accounts resulting from changes in estimates for Property, Plant and Equipment.

**f) Revaluations**

During the year a full Beacon revaluation of all Council dwellings was undertaken 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 2015, and the basis of all valuations is explained in Accounting Policy, note 1(xvi) on page 22.

Some of the properties were valued by internal valuers; Richard Smith BSc (Hons) MRICS, Susan Beaumont BSc (Hons) MRICS, Martin Catley MRICS, Giles Cooper BSc MRICS and Lisa Corby BSc (Hons) MRICS. Council dwellings were valued by external valuers Mouchel, farms were valued by external valuers Windle Beech Winthrop Ltd and Victoria Gardens was valued by external valuers CBRE (Leeds).

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
<b>Valued at Historic Cost</b>	0	0	4,594	974
<b>Valued at current value in:</b>				
<b>2010/11</b>	0	16,209	1	0
<b>2011/12</b>	0	12,219	0	0
<b>2012/13</b>	0	16,418	367	0
<b>2013/14</b>	0	4,394	1,620	0
<b>2014/15</b>	154,029	8,096	85	0
<b>Total</b>	<u>154,029</u>	<u>57,336</u>	<u>6,667</u>	<u>974</u>
	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property Plant &amp; Equipment</b>
	£'000	£'000	£'000	£'000
<b>Valued at Historic Cost</b>	1,850	0	8	7,426
<b>Valued at current value in:</b>				
<b>2010/11</b>	0	0	0	16,210
<b>2011/12</b>	0	599	0	12,818
<b>2012/13</b>	0	0	0	16,785
<b>2013/14</b>	0	0	0	6,014
<b>2014/15</b>	0	24	0	162,234
<b>Total</b>	<u>1,850</u>	<u>623</u>	<u>8</u>	<u>221,487</u>

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

The categories of assets which had their normal 5 year review of their valuations included public conveniences, small rural sites, small urban sites and amenity woodland. Revaluation losses on these assets totalled £164k. £65k of this was met from previous revaluation gains leaving £99k to be written off to service revenue accounts. This was offset by £80k of revaluation gains which were also credited to services to reverse previous revaluation losses. The net charge to services included £90k for farms (transferred to Property, Plant and Equipment from Investment Property - see note 12) included in Planning Services, £8k for open space assets included in Cultural Services, -£59k for public conveniences and street cleaning buildings included in Environmental Services, and -£21k for Housing Association leases included in Housing Services.

The revaluation of Council Dwellings and other HRA properties resulted in a reversal of previous revaluation losses for Council Dwellings of £8,790k, reflecting the current housing market, and revaluation losses on other land and buildings of £229k, £188k of this being met from previous revaluation gains. The net amount was credited to the HRA service in the year which is included in the Housing Portfolio.

#### 11. 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
<b>1 April 2014</b>	<b>8,370</b>	<b>268</b>	<b>1,757</b>	<b>25,498</b>	<b>35,893</b>
Additions	32	0	0	0	32
Donations	0	0	0	0	0
Revaluation Increases/ decreases (-) to RR*	0	143	49	765	957
<b>31 March 2015</b>	<b>8,402</b>	<b>411</b>	<b>1,806</b>	<b>26,263</b>	<b>36,882</b>

#### \*RR – Revaluation Reserve

1 April 2013	8,349	257	1,706	24,755	35,067
Additions	0	0	0	0	0
Donations	0	0	0	0	0
Revaluation Increases/ decreases (-) to RR*	21	11	51	743	826
31 March 2014	8,370	268	1,757	25,498	35,893

#### \*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 2014/15 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, with an insurance valuation of £6,394,000. The collection includes an outstanding and extensive group of 19<sup>th</sup> century works, including paintings by locally born William Powell Frith, celebrated painter of the Victorian panorama, and Atkinson Grimshaw, painter of moonlit landscapes and city views. Twentieth century British art is well represented, including works by Ivon Hitchens, Paul Nash, Christopher Wood, William Roberts and John Piper. There is also a strong and growing element of contemporary British art, including photography.

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

A significant collection of foreign antiquities is held, with the Egyptology collection being valued at £1,216,000 and a collection of Greek, Roman and South American pieces being valued at £68,000. Pottery vessels form the largest part of the collection, along with a significant number of glass vessels. There are also some items of metalwork, jewellery and stone held.

The decorative and applied arts collection is valued at £267,000 and consists of ceramics, glass, silver and jewellery. The Holland Child ceramic collection is one of national significance. The Hull Grundy collection of jewellery, glass and silver contains nearly 600 items tracing the history, style, fashion and materials from the 18<sup>th</sup> century to the 1950s.

A collection of British archaeological material is held, with an insurance valuation of £25,000. The majority of the material is prehistoric, although the Roman and Medieval periods are also represented.

The social history collection covers a range of materials relating to domestic, community and working life in the Harrogate district, mainly dating from the 19<sup>th</sup> and 20<sup>th</sup> centuries. It includes a collection of costumes and textiles valued at £54,000 that includes many fine examples of mainly 19<sup>th</sup> century and early 20<sup>th</sup> century origin. The following categories of assets are small in their own right, and they are included within the £100,000 valuation for 'General Social History':

- Ephemera, photographic and archive material – including local and social history photographs and postcards, and some photographic equipment.
- Coins and medals – a small collection resulting from incidental acquisition rather than a deliberate collection policy.
- Militaria – a very small area of the existing collection, with no proposals for expansion.
- Furniture – a small collection of furniture is held, mainly in store.
- Transport - a small collection, including historic cycles, two fire engines and the Harrogate Park Drag, which is currently in storage.
- Ethnography – includes some Armenian and Jordanian costume.
- Natural sciences – includes 16 geological specimens and a small quantity of taxidermy.

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 at the Mercer Gallery 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.

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 ten sculptures that have been included in the Museum and Art Exhibits category at their insurance valuation of £279,000. These have not been officially adopted as part of the Museum and Arts Collections but seven of them were assessed by the Council's Curator of Art in 1996 at a valuation of £210,000. The Council took over responsibility for a bronze statue of Blind Jack in Knaresborough at an estimated valuation of £30,000 in 2009, the Pineheath Sculpture with an estimated value of £7,000 in 2013 and the Pillars Past Sculpture in 2014. These sculptures are on public display at various locations in Harrogate, Knaresborough and Pateley Bridge. It is intended that these valuations will be reviewed in the coming year by the Curator of Art when the insurance policy is renewed.

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.

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

#### **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 Mayor's and Mayoress' chains and some of their badges of office were revalued in 2011/12, at replacement cost for insurance purposes at a total of £99,800, an increase of £37,650 on their previous 2004 valuation. The Mace, Deputy Mayor's and Mayoress' badges of office and Deputy Mayoress' evening jewel were revalued in 2012/13 at a replacement cost of £48,450, an increase of £44,000 on their previous valuation. The remaining badges of office and Toastmaster chain were revalued in 2013/14 at a replacement cost of £34,500, an increase of £10,800 on their previous valuation. The number of valuations carried out each year will be restricted due to the costs involved.

The Council holds 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. In 2014/15 these items were individually listed and valued for insurance purposes at £228,250, an increase of £143,500 on the previous valuation.

The majority of the civic regalia collection is kept in secure storage, although some items are on display in the Council Offices and 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 of £1,806,000. This insurance valuation for the estimated cost of replacement is provided by the Council's Property Officer (Assets) 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 (estimated replacement cost £372,000), the Queen Victoria monument in Harrogate town centre (£312,000) and the obelisk in Ripon Market Place (£290,000).

The increase in valuation in 2014/15 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 of £26,263,000 based on an assessment carried out by the Property Officer (Assets). 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 2015

The Council has a number of other heritage buildings e.g. Pump Room Museum, Mercer Gallery and Council Offices, 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 fair value in existing use and are not included as Heritage Assets.

The Council does not possess any intangible heritage assets.

#### Additions, donations and disposals

The Pillars Past sculpture located at Pateley Bridge cycleway adopted by the Council in the year was donated by Nidderdale Visual Arts. There were no capital purchases of fine art items in 2014/15. Small revenue purchases of fine art items were reflected in the revaluations line that year.

There was only one material purchase in the three years prior to this, in 2011/12, of a painting by William Powell Frith entitled 'Poor Maria' for £12,000.

#### 12. Investment Property

The Council received rental income of £225k from investment property in 2014/15 (£257k in 2013/14) and direct operating expenses amounted to £1k (£29k in 2013/14). As part of the asset revaluation process in 2014/15 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 2013/14 and 2014/15 is set out below:

	<b>2014/15</b>	2013/14
<b>Fair Value</b>	<b>£'000</b>	£'000
1 April	<b>7,334</b>	6,960
Disposals	<b>0</b>	0
Net gains or losses(-) from fair value adjustments	<b>75</b>	374
Reclassifications	<b>-2,804</b>	0
<b>31 March</b>	<b><u>4,605</u></b>	<u>7,334</u>

In preparation for the adoption of IFRS 13 which will require fair value valuations for Investment property and Surplus property prospectively from 1 April 2015, the Council's valuers undertook a full review of the property classified as investment property at 1 April 2014.

As a result of this review, various farms valued at £2,792,000 were reclassified as Property, Plant and Equipment as they are considered to be held mainly for economic development objectives rather than rental income or capital appreciation. Another small area of unused land valued at £12,000, which is no longer rented out, was reclassified as surplus pending final approval to sell. The Investment Property rental income figures have decreased accordingly, with £45k of rental income for 2014/15 being credited to the Planning Services line in the Comprehensive Income and Expenditure Statement, instead of the Financing and Investment Income line.

**HARROGATE BOROUGH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

**13. Financial Instruments**

**a) Categories for Financial Instruments**

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

	<b>31 March</b>			
	<b>Long Term</b>	<b>Current</b>	Long Term	Current
	<b>2015</b>	<b>2015</b>	2014	2014
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
<b>Investments</b>				
Loans and receivables at amortised cost:				
Short Term Investments	0	19,133	0	21,155
Cash Equivalents	0	7,965	0	4,150
<b>Total included in investments</b>	<b>0</b>	<b>27,098</b>	<b>0</b>	<b>25,305</b>
<b>Debtors</b>				
Loans and Receivables	672	0	686	0
Financial Assets carried at contract amounts	0	2,856	0	3,058
<b>Total included in debtors</b>	<b>672</b>	<b>2,856</b>	<b>686</b>	<b>3,058</b>
<b>Borrowings</b>				
Financial Liabilities at amortised cost	60,090	607	60,093	8,027
<b>Total included in borrowings</b>	<b>60,090</b>	<b>607</b>	<b>60,093</b>	<b>8,027</b>
<b>Creditors</b>				
Financial Liabilities carried at contract amounts	0	9,500	0	8,175
<b>Total included in creditors</b>	<b>0</b>	<b>9,500</b>	<b>0</b>	<b>8,175</b>

**b) Income, Expense, Gains and Losses**

Interest income of £313k (£317k 2013/14) on loans and receivables and interest expense of £1,766k (£1,771k 2013/14) 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 £1,453k in the year (£1,454k net expense in 2013/14).

**c) Fair Value of Financial Assets and Liabilities**

	<b>31 March</b>			
	<b>Carrying</b>	<b>Fair Value</b>	Carrying	Fair Value
	<b>Amount</b>	<b>2015</b>	Amount	2014
	<b>2015</b>	<b>2015</b>	2014	2014
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Financial Liabilities at amortised cost	60,116	68,520	68,120	68,692
Loans and Receivables at amortised cost	27,098	27,098	25,305	25,305

The fair value of Financial Liabilities 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 Public Works Loans Board 'premature repayment' set of rates in force at the balance sheet date.

In 2014/15 the fair value of Loans and Receivables 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 assessments of fair value assume no early repayment or impairment.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

14. Inventories

	31 March	
	2015	2014
	£'000	£'000
Fuel	19	20
Other Consumables	103	121
Items for Sale	34	41
	<u>156</u>	<u>182</u>

Purchases and movement in the year on the above inventories are treated as an expense in the relevant service line of the Comprehensive Income and Expenditure Statement.

15. 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 provision for bad debts required has been charged to net cost of services in the Comprehensive Income and Expenditure Statement.

	31 March	
	2015	2014
	£'000	£'000
Central Government Bodies	827	535
Public Corporations	0	9
Other Local Authorities	603	940
Other entities and individuals	1,522	1,659
<i>Impairment Allowance</i>	<i>-96</i>	<i>-85</i>
	<u>1,426</u>	<u>1,574</u>
Payments in Advance	606	565
<b>Total Customer Debtors</b>	<b>3,462</b>	<b>3,623</b>
NDR/Council Taxpayers	1,132	1,180
<i>Impairment Allowance</i>	<i>-693</i>	<i>-706</i>
	<u>439</u>	<u>474</u>
Housing Rents	179	158
<i>Impairment Allowance</i>	<i>-122</i>	<i>-141</i>
	<u>57</u>	<u>17</u>
<b>Total Statutory Debtors</b>	<b>496</b>	<b>491</b>
<b>Net Debtors</b>	<b>3,958</b>	<b>4,114</b>
<b>Total Impairment Allowance</b>	<b>-911</b>	<b>-932</b>

At 31 March 2015 Government bodies owed £0.3m more for Small Business Rate Relief Grant, £0.1m more for capital grants for Ripon skate park and £0.1m less for VAT than at 31 March 2014.

North Yorkshire County Council owed the council £0.3m less for on street parking costs deducted from the overall on street parking surplus at 31 March 2015 than at 31 March 2014.



**HARROGATE BOROUGH COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

**16. Creditors**

	<b>31 March</b>	
	<b>2015</b>	2014
	<b>£'000</b>	£'000
Central Government Bodies	<b>1,357</b>	1,470
Other Local Authorities	<b>3,537</b>	2,945
Housing Rents	<b>150</b>	187
NDR/Council Taxpayers	<b>16</b>	66
Other entities and individuals	<b>4,606</b>	3,761
Receipts in Advance (Non-Grant Income)	<b>2,436</b>	2,495
<b>Total</b>	<b><u>12,102</u></b>	<u>10,924</u>

At the 31 March 2015 the Council owed the Government £1.0m for Business Rates collected on an agency basis but not yet paid over, whereas the figure at 31 March 2014 was £0.9m. The amount owed to the Government's housing capital receipts pool for the fourth quarter was £0.1m higher than the previous year but the net amount due to the Government for VAT, National Insurance and Tax was £0.3m lower than at 31 March 2014.

The Council also owed £1.3m for Business Rates (NDR) and Council Tax collected on an agency basis to other local authorities, whereas the previous year this was £0.9m. The levy due to Leeds City Region Business Rate Pool at 31 March 15 was £0.7m compared with £0.2m at 31 March 2014. Pension fund contributions owed to North Yorkshire County Council were £0.3m lower than at 31 March 2014.

General creditor system payments not paid at 31 March 2015 were £0.3m higher than the previous year and there was an increase of £0.3m in utility bill accruals and £0.2m for Office Accommodation Scheme accruals.

**17. Provisions**

	<b>1 April 2014</b>	<b>Additional Provision In Year</b>	<b>Used In Year</b>	<b>Released In Year</b>	<b>31 March 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
NDR Appeals	<b>695</b>	<b>422</b>	<b>0</b>	<b>0</b>	<b>1,117</b>
Insurance Liabilities	<b>181</b>	<b>209</b>	<b>84</b>	<b>66</b>	<b>240</b>
Energy Bill Provision	<b>116</b>	<b>100</b>	<b>0</b>	<b>27</b>	<b>189</b>
Redundancy Provision	<b>388</b>	<b>268</b>	<b>388</b>	<b>0</b>	<b>268</b>
Litigation	<b>0</b>	<b>179</b>	<b>0</b>	<b>0</b>	<b>179</b>
Other	<b>189</b>	<b>76</b>	<b>7</b>	<b>100</b>	<b>158</b>
<b>Total 2014/15</b>	<b><u>1,569</u></b>	<b><u>1,254</u></b>	<b><u>479</u></b>	<b><u>193</u></b>	<b><u>2,151</u></b>
Total 2013/14	905	1,390	525	201	1,569

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 2014/15 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 Council is self-insured up to £50,000 per claim for public liability claims and up to £25,000 per claim for 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

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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 electricity used at some car parks and for street lighting. The settlement date will depend on the receipt of outstanding invoices from Energy Companies.

The Redundancy Provision was used to meet the liabilities arising from redundancies in 2014/15 that had been negotiated in 2013/14. New provision has been made for redundancies negotiated in 2014/15 which will be paid in 2015/16.

A new Litigation provision has been established in 2014/15 for the expected settlement costs associated with an ongoing legal case, whereby a group of property search companies are seeking to claim refunds for fees paid to the Council to access land charges data. The provision is based on the latest expected cost, including interest, and is expected to be settled within a year.

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

#### 18. Total Movement on Unusable Reserves

	1 April 2014	Gains/ Losses(-) in year	Transfers Between Reserves	31 March 2015
	£'000	£'000	£'000	£'000
Revaluation Reserve	38,560	1,816	-336	40,040
Capital Adjustment Account	123,047	0	16,044	139,091
Deferred Capital Receipts	686	0	-14	672
Pension Reserve	-30,863	-14,726	-23	-45,612
Accumulating Absences Adjustment Account	-461	0	-7	-468
Collection Fund Adjustment Account	-354	0	-35	-389
<b>Total 2014/15</b>	<b>130,615</b>	<b>-12,910</b>	<b>15,629</b>	<b>133,334</b>
	1 April 2013	Gains/ Losses(-) in year	Transfers Between Reserves	31 March 2014
	£'000	£'000	£'000	£'000
Revaluation Reserve	37,530	1,372	-342	38,560
Capital Adjustment Account	121,670	0	1,377	123,047
Deferred Capital Receipts	725	0	-39	686
Pension Reserve	-77,871	49,898	-2,890	-30,863
Accumulating Absences Adjustment Account	-447	0	-14	-461
Collection Fund Adjustment Account	21	0	-375	-354
<b>Total 2013/14</b>	<b>81,628</b>	<b>51,270</b>	<b>-2,283</b>	<b>130,615</b>

#### 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.

**HARROGATE BOROUGH COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

	2014/15	2013/14
	£'000	£'000
<b>Balance at 1 April</b>	<b>38,560</b>	37,530
Upward Revaluation of Assets	2,069	1,671
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	<u>-253</u>	<u>-299</u>
Surplus or Deficit on revaluation of non-current assets not charged to the Surplus/Deficit on the Provision of Services	<u>1,816</u>	<u>1,372</u>
Difference between fair value depreciation and historical cost depreciation	-336	-324
Accumulated gains on assets sold	<u>0</u>	<u>-18</u>
Amount written off to Capital Adjustment Account	<u>-336</u>	<u>-342</u>
<b>Balance 31 March</b>	<b><u>40,040</u></b>	<b><u>38,560</u></b>

**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.

	2014/15	2013/14
	£'000	£'000
<b>Balance 1 April</b>	<b>123,047</b>	121,670
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement (CI&ES):		
Charges for the depreciation and impairment of non-current assets	-6,637	-6,541
Revaluation losses on Property, Plant & Equipment	-141	-732
Reversal Revaluation Losses on Property, Plant & Equipment	8,871	101
Movement in the market value of Investment Property	75	374
Revenue Expenditure Funded from Capital Under Statute	-38	-83
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal	-845	-677
Capital Financing Applied in year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	38	83
Use of Major Repairs Reserve to finance new capital expenditure	3,862	4,490
Capital Grants and Contributions credited to the CI&ES that have been applied to capital financing	457	1,197
Statutory Provision for the repayment of Principal	628	645
HRA Voluntary set aside for debt repayment	8,000	0
Capital expenditure charged against General Fund and HRA balances	1,438	2,178
Adjusting amounts written out of the Revaluation Reserve	<u>336</u>	<u>342</u>
<b>Balance at 31 March</b>	<b><u>139,091</u></b>	<b><u>123,047</u></b>

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

#### 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 Earmarked Capital Reserve).

	2014/15	2013/14
	£'000	£'000
<b>Balance at 1 April</b>	<b>686</b>	725
New Deferred Receipts in year credited to CI&ES	5	3
Transfer to Usable Receipts reserve/GF Balance upon receipt of cash	-19	-42
<b>Balance at 31 March</b>	<b>672</b>	686

#### 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.

	2014/15	2013/14
	£'000	£'000
<b>Balance at 1 April</b>	<b>-30,863</b>	-77,871
Remeasurement gains or losses (-) on pensions assets and liabilities	-14,726	49,898
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the CI&ES	-6,021	-8,353
Employer's Pension Contributions payable in the year	5,998	5,463
<b>Balance at 31 March</b>	<b>-45,612</b>	-30,863

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

#### Accumulating Absences Adjustment Account

The Accumulating 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.

	<b>2014/15</b>	2013/14
	<b>£'000</b>	£'000
<b>Balance at 1 April</b>	<b>-461</b>	-447
Reversal of accrual made at the end of the preceding year	<b>461</b>	447
Amounts accrued at the end of the current year	<b>-468</b>	-461
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	<b>-7</b>	-14
<b>Balance at 31 March</b>	<b>-468</b>	-461

#### 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 rate (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.

	<b>2014/15</b>	2013/14
	<b>£'000</b>	£'000
<b>Balance at 1 April</b>	<b>-354</b>	21
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	<b>52</b>	58
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	<b>-87</b>	-433
<b>Balance at 31 March</b>	<b>-389</b>	-354

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

#### 19. Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by Service on the face of the Comprehensive Income & Expenditure Statement is that specified by the Service Reporting Code of Practice. Decisions about resource allocation are taken by Council on the basis of budget reports on a Portfolio basis. The income and expenditure of the Council's Portfolios recorded in the outturn reports for the year is set out below:

##### Service Information for the year ended 31 March 2015 – reported by Portfolio

	Leader, Finance & Resources	Sustainable Transport	Planning	Safer Communities	Parks, Environment and External Affairs	Culture, Tourism & Sports	Housing General Fund Services	Housing Revenue Account	2014/15 Total All Portfolios
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>									
Government Grants	855	0	390	4	0	593	32,166	2	34,010
Fees, Charges & Other Service Income	9,112	3,310	2,909	907	5,339	5,790	241	17,804	45,412
<b>Service Income</b>	<b>9,967</b>	<b>3,310</b>	<b>3,299</b>	<b>911</b>	<b>5,339</b>	<b>6,383</b>	<b>32,407</b>	<b>17,806</b>	<b>79,422</b>
<b>Expenditure</b>									
Employees	5,987	279	2,576	1,485	5,841	4,677	514	2,571	23,930
Other Service Expenditure	6,584	890	1,617	724	3,955	5,163	33,519	3,649	56,101
Support Service Recharges	1,497	154	1,190	333	1,423	1,122	93	779	6,591
Depreciation, Amortisation and Impairment	84	174	151	5	1,592	470	-12	-4,901	-2,437
<b>Service Spending</b>	<b>14,152</b>	<b>1,497</b>	<b>5,534</b>	<b>2,547</b>	<b>12,811</b>	<b>11,432</b>	<b>34,114</b>	<b>2,098</b>	<b>84,185</b>
<b>Net Cost of Services</b>	<b>4,185</b>	<b>-1,813</b>	<b>2,235</b>	<b>1,636</b>	<b>7,472</b>	<b>5,049</b>	<b>1,707</b>	<b>-15,708</b>	<b>4,763*</b>

\*As per net cost of services shown on Comprehensive Income and Expenditure Statement

##### Reconciliation to Subjective Analysis

	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000
<b>Income</b>			
Government Grants	34,010	6,617	40,627
Fees, Charges & Other Service Income	45,412	481	45,893
Interest & Investment Income	0	538	538
Income from Council Tax	0	13,604	13,604
Income from Non-Domestic Rates	0	23,883	23,883
Gain on disposal of non-current assets/Other Capital Receipts	0	627	627
<b>Total Income</b>	<b>79,422</b>	<b>45,750</b>	<b>125,172</b>
<b>Expenditure</b>			
Employees	23,930	0	23,930
Other Service Expenditure	56,101	0	56,101
Support Service Recharges	6,591	0	6,591
Depreciation, Amortisation and Impairment	-2,437	0	-2,437
Interest Payments	0	3,049	3,049
Precepts, Tariffs & Levies	0	21,872	21,872
Payments to Housing Capital Receipts Pool	0	776	776
Investment Property Expenditure	0	-74	-74
<b>Total Expenditure</b>	<b>84,185</b>	<b>25,623</b>	<b>109,808</b>
<b>Surplus(-)/Deficit on Provision of Services</b>	<b>4,763</b>	<b>-20,127</b>	<b>-15,364</b>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

19. Amounts reported for Resource Allocation Decisions (Continued)

Service Information for the year ended 31 March 2014 – reported by Portfolio, restated for new portfolios created in 2014/15.

	Leader, Finance & Resources £'000	Sustainable Transport £'000	Planning £'000	Safer Communities £'000	Parks, Environment and External Affairs £'000	Culture, Tourism & Sports £'000	Housing General Fund Services £'000	Housing Revenue Account £'000	2013/14 Total All Portfolios £'000
<b>Income</b>									
Government Grants	900	0	242	0	0	719	32,480	0	34,341
Fees, Charges & Other Service Income	7,804	3,404	2,895	1,093	5,136	5,426	262	16,891	42,911
<b>Service Income</b>	<b>8,704</b>	<b>3,404</b>	<b>3,137</b>	<b>1,093</b>	<b>3,137</b>	<b>6,145</b>	<b>32,742</b>	<b>16,891</b>	<b>77,252</b>
<b>Expenditure</b>									
Employees	6,938	276	2,855	1,504	6,171	5,037	4	1,468	24,253
Other Service Expenditure	5,842	1,086	1,383	751	4,293	4,141	33,857	3,929	55,282
Support Service Recharges	1,545	158	950	468	1,462	1,120	823	1,702	8,228
Amortisation depreciation and Impairment	346	162	62	51	1,758	661	6	3,700	6,746
<b>Service Spending</b>	<b>14,671</b>	<b>1,682</b>	<b>5,250</b>	<b>2,774</b>	<b>13,684</b>	<b>10,959</b>	<b>34,690</b>	<b>10,799</b>	<b>94,509</b>
<b>Net Cost of Services</b>	<b>5,967</b>	<b>-1,722</b>	<b>2,113</b>	<b>1,681</b>	<b>8,548</b>	<b>4,814</b>	<b>1,948</b>	<b>-6,092</b>	<b>17,257*</b>

\* As per net cost of services shown in Comprehensive Income & Expenditure Statement

Reconciliation to Subjective Analysis

	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
<b>Income</b>			
Government Grants	34,341	6,799	41,140
Fees, Charges & Other Service Income	42,911	1,324	44,235
Interest & Investment Income	0	595	595
Income from Council Tax	0	13,403	13,403
Income from Non-Domestic Rates	0	23,082	23,082
Gain on disposal of non-current assets/Other Capital Receipts	0	472	472
<b>Total Income</b>	<b>77,252</b>	<b>45,675</b>	<b>122,927</b>
<b>Expenditure</b>			
Employees	24,253	0	24,253
Other Service Expenditure	55,282	0	55,282
Support Service Recharges	8,228	0	8,228
Depreciation, Amortisation and Impairment	6,746	0	6,746
Interest Payments	0	5,009	5,009
Precepts & Levies	0	21,050	21,050
Payments to Housing Capital Receipts Pool	0	639	639
Investment Property Expenditure	0	-346	-346
<b>Total Expenditure</b>	<b>94,509</b>	<b>26,352</b>	<b>120,861</b>
<b>Surplus(-)/Deficit on Provision of Services</b>	<b>17,257</b>	<b>-19,323</b>	<b>-2,006</b>

**HARROGATE BOROUGH COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

**20. Members' Allowances**

Allowances paid in the year amounted to £363,000 in aggregate (£369,000 2013/14).

This comprised:	<b>2014/15</b>	2013/14
	<b>£'000</b>	£'000
Basic Allowances	<b>256</b>	257
Special Responsibility Allowances	<b>77</b>	84
Mayoral Allowance	<b>14</b>	14
Members Car Allowances	<b>14</b>	14
Expenses	<b>2</b>	0
	<hr/> <b>363</b> <hr/>	<hr/> 369 <hr/>

**21. 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		2014/15	2013/14
		Number of Employees	Number of Employees
£50,000 -	£54,999	5	2
£55,000 -	£59,999	5	5
£60,000 -	£64,999	0	1
£65,000 -	£69,999	1	0
£70,000 -	£74,999	0	0
£75,000 -	£79,999	0	0
£80,000 -	£84,999	0	0
£85,000 -	£89,999	0	1
£90,000 -	£94,999	0	1
£95,000 -	£99,999	0	0
£100,000 -	£104,999	0	1
		<hr/> 11 <hr/>	<hr/> 11 <hr/>

Note that there has been a change in presentation compared to the 2013/14 Statement of Accounts, where this note included senior officers.

- 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)  Value	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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£0 - £20,000	4	2	4	0	8	2	58	28
£20,001 - £40,000	1	3	2	0	3	3	80	90
£40,001 - £60,000	1	0	1	0	2	0	102	0
£60,001 - £80,000	0	0	1	0	1	0	64	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	1	0	0	0	1	0	125
£150,001 - £200,000	0	2	0	0	0	2	0	314
Total	6	8	8	0	14	8	304	557

- c) For details of Senior Officers whose remuneration was £50,000 or more see the table on page 48.



HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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

	Salary, Including Fees & Allowances	Benefits in Kind eg car allowance	Total Remuneration excluding Pension Contributions	Employers Pension Contribution	Total Remuneration including Pension Contributions
2014/15	£	£	£	£	£
Chief Executive (see Note 1)	117,537	113	117,650	17,770	135,420
Director, HIC	94,421	373	94,794	13,785	108,579
Director of Economy & Culture	83,300	132	83,432	12,162	95,594
Director of Corporate Affairs	77,559	346	77,905	11,323	89,228
Director of Community (see Note 2)	79,824	116	79,940	8,564	88,504
Head of Finance (see Note 3)	50,987	47	51,034	7,444	58,478

The senior management review in 2013/14 took effect from 1 April 2014. The table above reflects the post names and remuneration from that date.

Note 1: The Chief Executive's salary for 2014/15 includes Returning Officer Fees of £8,919.

Note 2: The Director of Community post was occupied until 2 October 2014, with membership of the pension scheme ending 30 June 2014. The new postholder commenced on 6 October 2014. This line includes the remuneration for both.

Note 3: The Head of Finance post was occupied from 12 May 2014.

Chief Executive (see Note 1)	112,318	89	112,407	14,545	126,952
Director, HIC (see Note 2)	93,594	330	93,924	11,512	105,436
Director of Community Services	82,886	23	82,909	10,195	93,104
Director of Development Services	82,886	66	82,952	10,195	93,147
Assistant Chief Executive	68,642	44	68,686	8,443	77,129
Director, ICT	68,642	68	68,710	8,443	77,153
Head of Financial Management (see Note 3)	99,563	151	99,714	98,580	198,294

Note 1: The Chief Executive's salary for 2013/14 includes Returning Officer Fees of £3,700.

Note 2: The Director, HIC post was occupied from 15 April 2013; the annualised salary for 2013/14 was £93,951. This line includes the salary for the post of Acting Director, HIC from 1 April to 15 April 2013.

Note 3: The Head of Financial Management became the Section 151 Officer on 1 April 2013, following the retirement of the Director of Resources. The salary figure in this line includes compensation of £34,369 for loss of office at 31 March 2014, and a resulting increase in employer's pension contributions of £90,561.

**HARROGATE BOROUGH COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2015**

**22. External Audit Costs**

	<b>2014/15</b>	2013/14
	<b>£'000</b>	£'000
The following amounts were payable to the external auditors in the year:		
Fees for external audit services	70	67
Fees for certifying grant claims	17	25
Fees for non-audit work	2	0
Audit Commission rebate re prior years	-6	-9
	<b>83</b>	<b>83</b>

**23. Grant Income**

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15.

	<b>2014/15</b>	2013/14
	<b>£'000</b>	£'000
<b>Credited to Taxation and Non Specific Grant Income:</b>		
<b>Government Capital Grants</b>		
Department of Communities and Local Government (Housing Grants)	0	-19
Ministry of Defence & Sport England (Ripon Skate Park)	75	0
<b>Other Capital Grants</b>		
Developers Section 106 and other contributions (Housing & Play Areas)	374	1,324
WREN, Ripon City Council and NYPCC (Ripon Skate Park)	74	0
Nidderdale Visual Arts (Donated Sculpture)	32	0
	<b>555</b>	<b>1,305</b>
<b>Other Government non-ringfenced grants</b>		
New Homes Bonus Grant	1,101	825
Business Rate Relief Grants	1,364	863
Council Tax Freeze Grant	139	139
Other Small Grants - New Burdens Grants etc	23	77
	<b>2,627</b>	<b>1,904</b>
<b>Credited to Services:</b>		
<b>Capital Grants to Finance Revenue Expenditure Funded by Capital under Statute</b>		
<b>Government Grants</b>		
Department for Communities and Local Government (Housing Grants)	250	258
	<b>250</b>	<b>258</b>
<b>Specific Revenue Grants</b>		
<b>Government Grants</b>		
Department for Work and Pensions Grants:		
Housing Rent Allowances	22,925	23,289
Housing Rent Rebates	8,991	8,884
Council Tax Benefit	0	1
Administration/Anti-Fraud	792	796
Department for Communities and Local Government:		
(Council Tax scheme transition funding, Housing & Planning Services)*	43	146
Lottery Grants (Cultural & Heritage Services)	752	758
Natural England (AONB, Planning Services)	187	202
Cabinet Office (Individual Electoral Registration)	57	7
Other Grants (Environment Agency, FSA, LGA, English Heritage)	13	0
	<b>33,760</b>	<b>34,083</b>
<b>Non-Government Grants</b>		
NYCC (Community Safety, Housing Services, AONB and Cultural Services)	524	214
NYPCC (Community Safety)	81	60
Other Grants (Housing, Planning & Cultural Services)	236	66
	<b>841</b>	<b>340</b>
<b>Total Grants and Contributions</b>	<b>38,033</b>	<b>37,890</b>

\*Includes £40k Site Delivery Grant in 2014/15, to be passed on to NYCC by Harrogate Council as the accountable body for the DCLG grant.

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2015

#### 23. Grant Income (Continued)

##### Balance Sheet Debtors and Receipts in Advance for Grant Income

At 31 March 2015 Government Bodies debtors on the Balance Sheet includes £609k for grants due in 2014/15 but not paid (£241k 2013/14), £407k being for Small Business Rate Relief Grant (£131k 2013/14), £123k (£86k 2013/14) for Natural England (Nidderdale AONB) and £75k for Ministry of Defence and Sport England for Ripon Skate Park (£0k 2013/14). The 31 March 2015 figure also included £24k due from the Environment Agency (Community Resilience).

The Council has received a number of grants that have yet to be recognised as income as they have conditions attached to them that may require the money to be returned to the giver.

	31 March 2015	31 March 2014
	£'000	£'000
<b>Grants Receipts in Advance (Revenue Grants)</b>		
Sport England Grant (Cultural Services)	0	526
North Yorkshire County Council (Cultural/Parking Services)	39	480
DWP Housing Benefit Grant	182	184
Lottery Grant (Planning Services)	0	40
Other Small Grants (DCLG, DWP, Cabinet Office, NYCC)	37	50
	<b>258</b>	<b>1,280</b>

#### 24. 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 all the grants received from Central Government can be found in notes 19 and 23. In 2014/15 the Council also had to pay £88,100 (£90,500 2013/14) to the Government for amounts due under the Carbon Reduction Commitment Scheme relating to energy consumption in 2013/14.

North Yorkshire County Council (NYCC) also exerts its influence through the provision of grants for various purposes (see note 23). In addition, the Council provides the following services on an agency basis to NYCC; the Council collected £2,495,000 of on-street parking income in 2014/15 (£2,906,000 2013/14) and after deduction of related costs of £808,000 (£799,000 2013/14), the balance of £1,687,000 (£2,107,000 2013/14) was paid to NYCC in four quarterly instalments. In addition they were also paid £480,000 of retained on-street income from earlier years. NYCC were charged £104,000 (£106,000 2013/14) for Grounds Maintenance works and paid £376,000 (£373,000 2013/14) towards Housing Services lifelines and sheltered housing costs under the Supporting People Scheme. They were paid routine rentals of £131,000 (£115,000 2013/14) for schools under Joint Use Agreements for Sport and Leisure Activities, and a contribution of £298,000 (£90,000 2013/14) towards the Tour De France hosting fee. In 2013/14 they also paid £95,000 towards Community Safety expenditure and were paid £12,000 from North Yorkshire Sport which ceased to be part of Harrogate Council on 1 April 2014.

In addition to a Community Safety Grant (see note 23), the North Yorkshire Police and Crime Commissioner also paid £72,000 (£32,000 2013/14) towards Community Safety expenditure. Payments totalling £27,000 (£32,000 2013/14) were paid to Parish Councils towards the cost of Grounds Maintenance, provision of Tourist Information Services, Community Projects and Christmas Lighting. Rental income of £23,000 (£23,000 2013/14) was received for recreation areas and properties leased to Parish Councils and in 2013/14 £4,000 was received towards the cost of Parish Street lighting works.

There were advances of £10,000 (£31,000 2013/14) for car loans made to chief officers in the year under their conditions of service. Repayments of car loans were £7,000 (£3,000 2013/14), leaving a balance of £31,000 (£28,000 2013/14) at the year-end. Other transactions with these related parties that 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, councillors and former councillors.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2015

25. Capital Expenditure and Capital Financing

	2014/15			2013/14
	General Fund	Housing Revenue Account	Total	
	£'000	£'000	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>16,715</b>	<b>75,756</b>	<b>92,471</b>	93,116
<b>Capital Expenditure</b>				
Property, Plant & Equipment	1,345	4,380	5,725	7,865
Heritage Assets	32	0	32	0
Revenue Expenditure Funded from Capital under Statute (included in the surplus on the Comprehensive Income & Expenditure Account)	345	0	345	341
	<u>1,722</u>	<u>4,380</u>	<u>6,102</u>	<u>8,206</u>
<b>Sources of Finance</b>				
Capital Receipts	-38	0	-38	-83
Grants and Contributions	-604	-103	-707	-1,455
Revenue	-1,080	-415	-1,495	-2,178
Major Repairs Reserve	0	-3,862	-3,862	-4,490
	<u>-1,722</u>	<u>-4,380</u>	<u>-6,102</u>	<u>-8,206</u>
<b>Minimum Revenue Provision/set aside receipts</b>	<u>-628</u>	<u>-8,000</u>	<u>-8,628</u>	<u>-645</u>
<b>Closing Capital Financing Requirement</b>	<u>16,087</u>	<u>67,756</u>	<u>83,843</u>	<u>92,471</u>
<b>Explanation of movement in year</b>				
HRA Voluntary set aside	0	-8,000	-8,000	0
Statutory Revenue set aside	-628	0	-628	-645
<b>Increase / Decrease (-) in Capital Financing Requirement</b>	<u>-628</u>	<u>-8,000</u>	<u>-8,628</u>	<u>-645</u>
			<b>2014/15</b>	<b>2013/14</b>
<b>Main Items of Capital Expenditure</b>			<b>£'000</b>	<b>£'000</b>
Improvements to Council Dwellings			4,380	5,539
Vehicle and Plant Replacement			603	322
Private Sector Housing Grants/Loans			345	341
Open Space and Play Area Improvements			191	149
Ripon Skate Park			163	0
Computer Investment			141	69
Multi-functional Devices/Printers			140	23
Kirkby Malzeard Cemetery Car Park			53	0
Hydro & Ripon Leisure Centre Equipment			35	0
'Pillars Past' Sculpture			32	0
Ripon Cemetery Extension			19	30
New Recycling Vehicles and Plant			0	1,678
Mechanical Cremator Charger			0	31
Portable Waste Compactor			0	24
			<u>6,102</u>	<u>8,206</u>

**HARROGATE BOROUGH COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2015**

**26. Operating Leasing Payments and Commitments**

**Authority as Lessee:**

**Operating Leases (for land and buildings)**

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

	<b>2014/15</b>	2013/14
	<b>£'000</b>	£'000
Minimum lease payments	<b>91</b>	94
Contingent rents	<b>11</b>	13
	<u><b>102</b></u>	<u>107</u>

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

	<b>31 March</b>	31 March
	<b>2015</b>	2014
	<b>£'000</b>	£'000
Not later than one year	<b>40</b>	46
Later than one year and not later than five years	<b>21</b>	21
Later than five years	<b>52</b>	56
	<u><b>113</b></u>	<u>123</u>

**Authority 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 (see note 12).

i) Minimum lease payments received from lessees in the year were £986,000 (£875,000 in 2013/14).

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

	<b>31 March</b>	31 March
	<b>2015</b>	2014
	<b>£'000</b>	£'000
Not later than one year	<b>620</b>	558
Later than one year and not later than five years	<b>1,233</b>	1,134
Later than five years	<b>13,050</b>	11,266
	<u><b>14,903</b></u>	<u>12,958</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 2014/15 £226,000 of contingent rents were receivable (£246,000 in 2013/14).

**27. Termination Benefits**

During 2014/15, a total of 14 exit packages were agreed (8 in 2013/14), with an associated liability of £304k (£557k 2013/14) - see note 21(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, although the majority related to support service functions. Of the £304k (£557k 2013/14) payable, £36k was paid out during 2014/15 (£169k 2013/14), with a provision being created for the remaining £268k to be paid in 2015/16 (£388k in 2013/14 to be paid in 2014/15).

**HARROGATE BOROUGH COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2015**

**28. 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 pensions 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) to the scheme, 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:

	<b>2014/15</b>	2013/14
	<b>£'000</b>	£'000
<b>Comprehensive Income &amp; Expenditure Statement</b>		
<i>Cost of Services:</i>		
<i>Service cost comprising:</i>		
• Current Service Cost	<b>4,230</b>	4,636
• Past Service Cost	<b>0</b>	0
• Gain(-)/loss from settlements	<b>508</b>	479
<i>Financing &amp; Investment Income &amp; Expenditure:</i>		
Net interest expense	<b>1,283</b>	3,238
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>6,021</b>	8,353
<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)	<b>16,895</b>	15,576
• Experience gain/loss(-)	<b>0</b>	13,854
• Gain/loss(-) due to changes in demographic assumptions	<b>0</b>	346
• Gain/loss(-) due to changes in financial assumptions	<b>-31,621</b>	20,122
	<b>-14,726</b>	49,898
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>-8,705</b>	58,251

**HARROGATE BOROUGH COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2015**

**b) Transactions Relating to Retirement Benefits (continued)**

<b>Movement in Reserves Statement</b>	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Reversal of net charges made to the Surplus or Deficit on the Provision of Services	<b>-6,021</b>	-8,353
<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><b>5,998</b></u>	<u>5,463</u>
<b>Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under pension scheme regulations</b>	<u><b>-23</b></u>	<u>-2,890</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:

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Present value of the defined benefit obligation	<b>-219,805</b>	-180,288
Fair value of plan assets	<u><b>174,193</b></u>	<u>149,425</u>
<b>Net liability arising from defined benefit obligation</b>	<u><b>-45,612</b></u>	<u>-30,863</u>

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

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Opening fair value of scheme assets 1 April	<b>149,425</b>	127,989
Interest on plan assets	<b>6,806</b>	5,387
Remeasurement gain/loss(-):		
• Return on plan assets, excluding the amount included in the net interest expense	<b>16,895</b>	15,576
Administration expenses	<b>-85</b>	-82
Employer contributions	<b>5,998</b>	5,463
Member contributions	<b>1,342</b>	1,295
Benefits/transfers paid	<u><b>-6,188</b></u>	<u>-6,203</u>
<b>Closing fair value of scheme assets 31 March</b>	<u><b>174,193</b></u>	<u>149,425</u>

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

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Opening balance 1 April	<b>180,288</b>	205,860
Current service cost	<b>4,230</b>	4,636
Interest cost	<b>8,004</b>	8,543
Member contributions	<b>1,342</b>	1,295
Remeasurement gains(-) and losses:		
• Experience gain(-)/loss	<b>0</b>	-13,854
• Gain(-)/loss due to changes in demographic assumptions	<b>0</b>	346
• Gain(-)/loss due to changes in financial assumptions	<b>31,621</b>	-20,122
Past service cost loss/gain(-) on curtailments	<b>508</b>	479
Benefits/transfers paid	<u><b>-6,188</b></u>	<u>-6,203</u>
<b>Closing balance 31 March</b>	<u><b>219,805</b></u>	<u>180,288</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2015

f) Local Government Pension Scheme assets comprised:

	Quoted Price in Active Market Y/N	Fair Value of Scheme Asset	
		31 March 2015 £'000	2014 £'000
<b>Equity Instruments:</b>			
UK quoted	Y	25,781	30,482
UK quoted (Unitised)	Y	48,600	41,092
Global quoted	Y	25,258	24,655
Emerging Markets (Unitised)	Y	4,877	3,885
		<u>104,516</u>	<u>100,114</u>
<b>Bonds:</b>			
UK Government fixed	Y	14,632	7,621
UK Government indexed	Y	12,716	9,862
Overseas Government fixed	Y	697	747
Overseas Government indexed	Y	1,394	299
UK Corporate (Unitised)	Y	9,929	9,862
Euro Corporate (Unitised)	Y	1,219	747
International Corporate (Unitised)	Y	697	598
		<u>41,284</u>	<u>29,736</u>
<b>Property:</b>			
UK (Unitised)	Y	11,323	7,023
<b>Alternatives:</b>			
Diversified Growth Funds (UK Unitised)	Y	14,981	11,805
<b>Cash and cash equivalents:</b>			
Cash instruments (FX)	Y	0	224
Cash accounts	Y	1,916	523
Net current assets	N	174	0
		<u>2,090</u>	<u>747</u>
<b>Total</b>		<u><b>174,193</b></u>	<u><b>149,425</b></u>

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 Mercer Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2013.



**HARROGATE BOROUGH COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2015**

**g) Basis for Estimating Assets and Liabilities (Continued)**

	2014/15	2013/14
The significant assumptions used by the actuary have been:		
Long-term expected rate of return on assets in the scheme:		
Equity Investments	<b>6.5%</b>	7.0%
Government Bonds	<b>2.2%</b>	3.4%
Other Bonds	<b>2.9%</b>	4.3%
Property	<b>5.9%</b>	6.2%
Cash/Liquidity	<b>0.5%</b>	0.5%
Alternatives	<b>5.0%</b>	5.0%
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men:	<b>23.1 yrs</b>	23.0 yrs
Women:	<b>25.6 yrs</b>	25.5 yrs
Longevity at 65 for future pensioners		
Men:	<b>25.4 yrs</b>	25.3 yrs
Women:	<b>28.0 yrs</b>	27.8 yrs
Rate of Inflation CPI	<b>2.0%</b>	2.4%
Rate of increase in salaries	<b>3.5%</b>	3.9%
Rate of increase in pensions	<b>2.0%</b>	2.4%
Rate for discounting scheme liabilities	<b>3.3%</b>	4.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set in the table above. The sensitivity analyses below have 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 method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	<b>Impact on the Defined Benefit Obligation in the scheme £'000</b>
Longevity (increase by 1 year)	<b>4,168</b>
Rate of inflation (increase by 0.1% per annum)	<b>4,172</b>
Rate of increase in salaries (increase by 0.1% per annum)	<b>1,022</b>
Rate for discounting scheme liabilities (increase by 0.1% per annum)	<b>-4,094</b>

**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 26 years; for Harrogate Council the period to 100% funding is 14 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2016.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2015

**28. h) Impact on the Council's Cash Flows (Continued)**

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2016 is £5.7m.

The weighted average duration of the defined benefit obligation for scheme members is 19 years (19 years 2013/14).

**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 (60% of scheme assets) and fixed income (24%), with investments also in property and alternatives, the proportions being not materially dissimilar to the comparative year. This strategy is reviewed periodically, dependent on changes to market conditions and the solvency position of the Fund.

**29. Contingent Assets and Contingent Liabilities**

There are no contingent assets or liabilities as at 31 March 2015.

**30. 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.

**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.

**HARROGATE BOROUGH COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2015**

	Amount at 31 March 2015 £'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 2014 £'000
Deposits with Banks and Financial Institutions	27,221	0.0	0.0	0	0
Customers:					
Government and Local Authorities	1,430	0.0	0.0	0	0
Other	1,356	3.4	4.4	60	80
				<u>60</u>	<u>80</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 £0.9m of the £2.8m balance is past its due date for payment. This amount can be analysed by age as follows:

	31 March 2015 £'000	31 March 2014 £'000
Less than three months	839	751
Three to six months	40	61
Six months to one year	26	31
More than one year	5	31
	<u>910</u>	<u>874</u>

**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.

The maturity analysis of financial liabilities is:

	31 March 2015 £'000	31 March 2014 £'000
Less than one year	26	8,027
1 - 2 years	7,004	3
2 - 5 years	13	7,012
5 - 10 years	15,033	15,030
10 - 15 years	15,053	15,048
15 - 20 years	22,987	15,033
20 - 25 years	0	7,967
	<u>60,116</u>	<u>68,120</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

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2015

- 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.

In 2014/15 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 2015, would be:

	<b>31 March</b>
	<b>£'000</b>
Decrease in fair value of fixed rate investment assets (no impact on CI&ES Statement)	<b>0</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on CI&ES Statement)	<b>6,394</b>

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 thus has no exposure to loss arising from movements in exchange rates.

### **31. IAS19 Retirement Benefits**

The cost of retirement benefits included in the net cost of services under IAS19 is £2,332k lower than in 2013/14. Within operational services there is a decrease in cost of £406k, based on the latest actuarial assumptions, and a £29k increase within Non Distributed Costs, for early retirement costs.

The net pension interest cost included in Financing and Investment Income and Expenditure, after allowing for the return on assets, has decreased by £1,955k. This is based on the latest actuarial valuation.

These IAS19 costs are reversed by transfers to/from the Pensions Reserve and replaced with the actual pension contributions paid in the year, which is the amount to be charged to General Fund under legislation. Overall, there was a £535k increase in pension contributions charged to the General Fund from 2013/14 to 2014/15.

The effect of changes in actuarial assumptions in 2014/15 are reflected in the remeasurement of pension assets and liabilities line of the Comprehensive Income and Expenditure Statement which showed losses of £14.7m in 2014/15 compared to gains of £49.9m in 2013/14. See page 53, notes 28 a-i for more information on transactions relating to retirement benefits.

### **32. Revaluation Gains and Losses**

General Fund service expenditure includes £99k of revaluation losses and -£80k of reversal of prior year revaluation losses in 2014/15 (£0.7m net in 2013/14). These are additional depreciation charges to reflect downwards revaluations of non-current assets in the year, where there is no revaluation balance on the Revaluation Reserve. These are mainly a result of decreased revenue income forecasts from the use of these assets since they were last revalued. These charges are included in Planning Services (£90k) and Cultural and Related Services (£9k),

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2015

with reversals of prior year losses credited to Environmental Services (-£59k) and Housing Services (-£21k). Within the Housing Revenue Account there was a reversal of previous revaluation loss of £8.8m, which reflects an increase in market value in the year (£30k reversal of revaluation loss in 2013/14).

Within Financing and Investment Income and Expenditure in 2014/15, Investment Property expenditure includes a revaluation gain of £0.1m (£0.4m gain in 2013/14).

These revaluation losses and gains are mostly reversed out centrally by transfers to and from the Capital Adjustment Account, so there is no overall impact on Council Taxes or rents, or GF and HRA balances. The exception is revaluation losses relating to HRA non-dwellings, where the revaluation loss has to be charged to the Housing Revenue Account Balance under regulations by way of a transfer to the Major Repairs Reserve.

**HARROGATE BOROUGH COUNCIL**  
**MOVEMENT ON THE HOUSING REVENUE ACCOUNT (HRA) STATEMENT FOR THE YEAR**  
**ENDED 31 MARCH 2015**

		2014/15	2013/14
		£'000	£'000
<b>Note</b>	<b>HRA Balance brought forward</b>	<b>-15,043</b>	-10,723
	<b>Surplus (-) or Deficit in the year on HRA Income &amp; Expenditure Statement</b>	<b>-14,681</b>	-4,948
	<b>Adjustments between accounting basis and funding basis under regulations</b>		
	Gain or Loss (-) on sale of HRA non-current assets	<b>623</b>	533
<b>2</b>	HRA share of contributions to or from (-) the Pensions Reserve	<b>115</b>	65
<b>3</b>	Capital Expenditure funded by the HRA	<b>415</b>	0
<b>4</b>	Transfer to Major Repairs Reserve	<b>3,889</b>	3,729
	Transfers to/from (-) the Capital Adjustment Account:		
<b>5</b>	Depreciation, impairments and revaluation losses	<b>4,901</b>	-3,699
<b>8</b>	Voluntary set aside – repayment of debt	<b>8,000</b>	0
	<b>Net increase (-) or decrease before transfers to or from Reserves</b>	<b>3,262</b>	-4,320
	<b>Increase (-) or decrease in the year on the HRA</b>	<b>3,262</b>	-4,320
	<b>HRA Balance carried forward</b>	<b>-11,781</b>	-15,043

**HARROGATE BOROUGH COUNCIL**

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT FOR THE YEAR  
ENDED 31 MARCH 2015**

		2014/15	2013/14
		£'000	£'000
<b>Note</b>	<b>Expenditure</b>		
	Repairs and maintenance	3,624	3,619
	Supervision and management	3,280	3,387
<b>5</b>	Depreciation and impairments of non-current assets	-4,901	3,699
	Debt Management Costs	33	35
	<b>Total Expenditure</b>	<b>2,036</b>	10,740
	<b>Income</b>		
<b>6</b>	Dwelling Rents (gross)	16,260	15,535
	Non-dwelling rents (gross)	235	234
	Charges for services and facilities	886	839
<b>7</b>	Contributions towards expenditure	425	283
	<b>Total Income</b>	<b>17,806</b>	16,891
	<b>Net Cost/Surplus (-) of HRA Services included in the Whole Authority Comprehensive Income and Expenditure Statement</b>	<b>-15,770</b>	-6,151
	HRA share of Corporate & Democratic Core	62	58
	<b>Net Cost/Surplus (-) of HRA Services</b>	<b>-15,708</b>	-6,093
	<b>HRA share of the other operating income and expenditure included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		
	Gain (-) or loss on sale HRA non-current assets	-623	-534
<b>8</b>	Interest payable	1,793	1,805
<b>8</b>	Investment Income	-143	-126
	<b>Surplus (-) or Deficit for the year on HRA services</b>	<b>-14,681</b>	-4,948

## HARROGATE BOROUGH COUNCIL

### NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

#### 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 2014/15 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. Contribution to/from Pensions Reserve

In accordance with IAS19, the Housing Revenue Account has been charged with its share of the actual current service cost of providing pensions to employees. The contribution to or from the pensions reserve brings the net cost back to the amount to be raised from housing rents i.e. the actual contribution to the Pension Fund. See note 28b in the notes to the financial statements for more information on the pension scheme transactions.

#### 3. Capital Expenditure funded by the HRA

In 2014/15 a contribution of £415k was made from revenue to fund capital expenditure. £386k of this covered the cost of installing solar panels on 104 council dwellings, whilst the remaining £29k went towards the cost of external insulation fitted to some properties at Dene Park. In 2013/14, there were no contributions from revenue towards capital expenditure.

#### 4. Major Repairs Reserve (MRR)

	2014/15	2013/14
	£'000	£'000
Balance at 1 April	77	838
Transfers to (-)/from the HRA	3,889	3,729
Capital expenditure on HRA property	-3,862	-4,490
Balance at 31 March	104	77

The depreciation charge for both dwellings and non-dwellings is charged to HRA revenue, and transferred to the Major Repairs Reserve in order to provide funding for future capital investment. The transfer in 2014/15 includes £41k of revaluation losses on non-dwellings, which cannot be reversed out of the HRA.

#### 5. Depreciation, Impairments and Revaluation Losses

	2014/15	2013/14
	£'000	£'000
Council Dwellings:		
Depreciation	3,730	3,612
Revaluation Losses in year	0	60
Reversal Prior Year Revaluation Losses	-8,790	-91
Other Land and Buildings:		
Depreciation	118	117
Revaluation Losses in year	41	1
Reversal Prior Year Revaluation Losses	0	0
	-4,901	3,699

Following the introduction of the HRA self-financing system in 2012/13, the annual depreciation charge for dwellings is based upon the 'uprated' major repairs allowance, and increases each year in line with the figures contained within the self-financing determination.

During 2014/15, the valuation of the Council's housing stock was revised in line with the latest market values. This led to an £8.8m net increase in the valuation, which was credited to the HRA in 2014/15 in order to partially reverse 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.



**HARROGATE BOROUGH COUNCIL**

**NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015**

**6. Rents from Dwellings**

	2014/15	2013/14
	£'000	£'000
Rents from Council houses	16,104	15,395
Rents from hostels	156	140
	16,260	15,535

These rents are gross of any rebate awarded.

**7. Contributions towards Expenditure**

This includes £117k credited from the General Fund to the HRA to reflect the benefit to the community at large from amenities provided for tenants such as maintenance of open spaces and roads. The in-house maintenance team made recharges to the General Fund of £146k for repairs carried out to buildings and recharged £81k to the capital programme. £103k of grant was received to support people in temporary accommodation to live within the community.

**8. Capital Asset Charges Accounting Adjustment**

HRA paid interest charges in 2014/15 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.

	2014/15	2013/14
	£'000	£'000
<b>Interest Payable</b>		
Interest on loans included in the HRA CFR	1,736	1,737
Interest on unfinanced HRA CFR	57	68
<b>Total</b>	1,793	1,805

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 (0.74% for 2014/15 and 0.89% in 2013/14).

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

	2014/15	2012/13
	£'000	£'000
<b>Investment Income</b>		
Average notional cash balance in year including Major Repairs Reserve and capital receipts (14/15 only)	19,331	14,172
Average interest rate on approved investments	0.74%	0.89%
Interest on Notional Cash Balance	-143	-126

In 2014/15, £8m was set aside to repay the first of the loans taken out to fund the self-financing payment made to Government in 2011/12.

**9. Council House Rent Arrears**

For the financial year 2014/15 rent arrears from Council house tenants (both current and former) represented 1.1% of the total Council house rent income due. This comprised 0.61% for current tenants and 0.49% for former tenants. The arrears figures are as follows:

**HARROGATE BOROUGH COUNCIL**

**NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015**

	<b>2014/15</b>	2013/14
	<b>£'000</b>	£'000
Arrears at 31 March:		
- current tenants	99	74
- former tenants	79	84
	<u>178</u>	<u>158</u>
Provision for bad debts	<u>122</u>	<u>141</u>

**10. Housing Stock**

The Council was responsible for managing 3,893 dwellings as at 31 March 2015. The stock was made up as follows:

	<b>2014/15</b>	2013/14
Houses	1,362	1,374
Flats, Bedsits and Maisonettes	1,819	1,820
Bungalows	669	670
Hostel Places	43	43
	<u>3,893</u>	<u>3,907</u>

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

	<b>2014/15</b>	2013/14
Stock at 1 April	3,907	3,917
Sales to Council Tenants	-17	-13
Additions to stock	3	3
	<u>3,893</u>	<u>3,907</u>

**11. Balance sheet values**

	<b>31 March 15</b>	1 April 14
	<b>£'000</b>	£'000
Council Dwellings	154,029	145,529
Other Land and Buildings	2,207	2,520
Vehicles, Plant and Equipment	386	0
Assets Under Construction	8	0
	<u>156,630</u>	<u>148,049</u>

The balance sheet value of dwellings at 1 April 2014 is £146m on a tenanted valuation (£144m 1 April 2013). The vacant possession value of dwellings at 1 April 2014 is £467m (£462m 1 April 2013). These two values show the economic cost to Government of providing council housing at less than open market rents.

**12. Capital Expenditure Analysis**

	<b>2014/15</b>	2013/14
	<b>£'000</b>	£'000
<b>HRA Capital Expenditure</b>		
Planned maintenance and improvements	3,986	5,539
Installation of solar panels on council dwellings	386	0
Construction of new dwellings	8	0
	<u>4,380</u>	<u>5,539</u>
<b>HRA Capital Funding</b>		
Major repairs reserve	3,862	4,490
Grants	100	1,049
Tenant contributions to disabled adaptations	3	0
HRA revenue contribution	415	0
	<u>4,380</u>	<u>5,539</u>

See also note 25 to the Financial Statements, page 51.

**13. Capital Receipts Analysis**

	<b>2014/15</b>	2013/14
	<b>£'000</b>	£'000
Sale of council houses	1,337	1,041
Payment to national pool	-775	-639
Balance of usable receipts available to finance capital expenditure	<u>562</u>	<u>402</u>

**HARROGATE BOROUGH COUNCIL**

**THE COLLECTION FUND (ENGLAND) STATEMENT FOR THE YEAR ENDED 31 MARCH 2015**

		2014/15	2013/14
		£'000	£'000
<b>Income</b>			£'000
Council Tax collectable – Note 1		93,915	91,011
Transfers from General Fund:	Council Tax benefits	-101	-171
	Transitional relief	-5	-6
Non-Domestic (NDR) Rates collectable – Note 2		<u>61,602</u>	60,557
<b>Total Income</b>		<u>155,411</u>	<u>151,391</u>
<b>Expenditure</b>			
Precepts and Demands:	North Yorkshire County Council	63,164	61,384
	North Yorkshire Police & Crime Commissioner	12,218	11,874
	North Yorkshire Fire and Rescue Authority	3,709	3,604
	Harrogate Borough Council	<u>13,492</u>	13,345
		92,583	
NDR Share	Central Government	30,087	29,394
Payments:	North Yorkshire County Council	5,416	5,291
	North Yorkshire Fire and Rescue Authority	602	588
	Harrogate Borough Council	<u>24,069</u>	23,515
		60,174	
NDR charges/receipts (-)	Cost of collection allowance	286	285
	Transitional Protection Payments	<u>163</u>	194
		449	
Uncollectable Amounts:	Council Tax Allowance for Impairment	330	113
	Council Tax written off	126	125
	NDR Allowance for Impairment	<u>-154</u>	350
	NDR Allowance for Appeals	1,055	1,737
	NDR written off	<u>545</u>	286
		1,446	
Council Tax surplus re prior year to:	NYCC, NYPCC & NYFRA	340	0
	HBC	59	0
NDR deficit re prior year to:	Central Government, NYCC & NYFRA	-148	0
	HBC	<u>-99</u>	0
<b>Total Expenditure</b>		<u>155,260</u>	<u>152,085</u>
Movement on Fund Balance – Council Tax		371	388
Movement on Fund Balance – NDR		<u>-220</u>	-1,082
Total Movement on Fund Balance		<u>151</u>	<u>-694</u>
Fund Balance at start of year – Council Tax		533	145
Fund Balance at start of year – NDR		<u>-1,082</u>	0
Total Fund Balance at start of year		<u>-549</u>	<u>145</u>
Fund Balance at end of year – Council Tax (Note 3)		904	533
Fund Balance at end of year – NDR (Note 4)		<u>-1,302</u>	-1,082
Total Fund Balance at end of year		<u>-398</u>	<u>-549</u>

## HARROGATE BOROUGH COUNCIL

### THE COLLECTION FUND (ENGLAND) STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

#### Note 1 Council Tax 2014/15

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)	25	5/9	14
A	4,636	6/9	3,091
B	9,762	7/9	7,593
C	13,266	8/9	11,792
D	9,060	9/9	9,060
E	8,112	11/9	9,915
F	5,619	13/9	8,116
G	4,969	15/9	8,282
H	544	18/9	1,088
Total	55,993		58,951
Adjustment for collection rate, banding appeals, contributions in lieu etc			-386
<b>Council Taxbase</b>			<b>58,565</b>

The average Band D Council Tax of £1,570.03 was set by dividing the total of Precepts and Demands on the Collection Fund by the Council Taxbase shown above. The Council Tax for dwellings in other Valuation Bands is the appropriate Ratio of the Band D tax.

Council Tax collectable includes £742k of Government contributions in lieu of Council Tax for Ministry of Defence properties.

#### Note 2 Non Domestic Rates 2014/15

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 being 50% to Central Government, 40% to HBC, 9% to NYCC and 1% to NYFRA.

The non-domestic rate was set by the Government at 48.2p for the year (47.1p 2013/14), and the total non-domestic rateable value at the end of the year was £152,131,460 (£151,214,873 2013/14). 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. The figure has been increased by £285k for income deferred from 2012/13 under Government Regulations, collected in 2013/14 and 2014/15.

#### 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 £371k (£388k surplus 2013/14) is: NYCC £254k (£264k surplus 2013/14), NYPCC £49k (£51k surplus 2013/14), NYFRA £15k (£16k surplus 2013/14) and HBC £53k (£57k surplus 2013/14).

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 deficit of £220k (£1,082k deficit 2013/14) is Central Government £110k (£541k deficit 2013/14), NYCC £20k deficit (£97k deficit 2013/14), NYFRA £2k deficit (£11k deficit 2013/14) and HBC £88k deficit (£433k deficit 2013/14).

This amount is added to the NDR Share for the year less the tariff and levy payments to the Leeds City Region Business Rate 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 2015

#### **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 the national NNDR pool.

#### **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

## HARROGATE BOROUGH COUNCIL

### GLOSSARY OF TERMS FOR THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

b) the amount of the obligation cannot be measured with sufficient reliability.

#### **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 amount for which an asset could be bought or sold in an arms-length transaction between knowledgeable, willing parties.

#### **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 2015

#### **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 (NDR)**

Otherwise known as business rates, these are collected from businesses by the Council. Shares of the income are then paid over to Government (50%), North Yorkshire County Council (9%) and North Yorkshire Fire and Rescue Authority (1%), 40% 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 2015

#### **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**

### **Opinion on the financial statements**

We have audited the financial statements of Harrogate Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. 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 2014/15.

This report is made solely to the Members of Harrogate Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Head of Finance and auditor**

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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Harrogate Borough Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Harrogate Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires Harrogate Borough Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

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**

### ***Respective responsibilities of Harrogate Borough Council and the auditor***

Harrogate Borough 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that Harrogate Borough Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that Harrogate Borough Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the arrangements for securing economy, efficiency and effectiveness are operating effectively.

### ***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission, as to whether Harrogate Borough Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Harrogate Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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, Harrogate Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### ***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that, in all significant respects, Harrogate Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

## **Certificate**

We certify that we have completed the audit of Harrogate Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

# HARROGATE BOROUGH COUNCIL

Cameron Waddell, Director  
For and on behalf of Mazars LLP, Appointed Auditors

The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

Date: 30 September 2015

**APPENDIX 1**

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**ANNUAL GOVERNANCE STATEMENT**

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### **A. Scope of Responsibility**

- 1 Harrogate Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2 In discharging this overall responsibility, Harrogate Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 3 The council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This is made up of six core principles:
  - (1) Focussing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area
  - (2) Members and officers working together to achieve a common purpose with clearly defined functions and roles
  - (3) Promoting the values of the Council and demonstrating the values of good governance through high standards of conduct and behaviour
  - (4) Taking informed and transparent decisions which are subject to effective scrutiny and risk management
  - (5) Developing the capacity of members and officers to be effective
  - (6) Engaging with local people and other stakeholders to ensure robust public accountability
- 4 This statement explains how the authority has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement. The statement is presented to the Audit and Governance Committee in conjunction with the Statement of Accounts and is signed by the Leader and Chief Executive.

### **B. The Purpose Of The Governance Framework**

- 5 This statement describes the governance framework that comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 6 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-

going process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 7 The governance framework is based on the local code of Corporate Governance and has been in place at Harrogate Borough Council for the year ended 31st March 2015 and up to the date of approval of the annual Statement of Accounts.

## **C. The Governance Framework**

### **1. Purpose and Vision**

- 8 Following appropriate consultation Harrogate Borough Council has set out its long-term vision for the Harrogate district to be is the best place to live, work and visit in its Corporate Plan 2014-2017. This also sets out its aim as an organisation, its corporate priorities and the long term outcomes that it wants to achieve.
- 9 The Corporate Plan, is reviewed annually and has four key priorities:
1. A strong local economy
  2. A sustainable environment
  3. Supporting our communities
  4. Excellent public services
- 10 Each year the council publishes, alongside this plan, its Corporate Delivery Plan that details what it will do to deliver the plan, what targets are set and how these will be measured. The Council manages performance on the Corporate Plan and service performance indicators through an agreed Performance Management Framework using Covalent (its Performance Management Information System) and publishes its performance. Performance is monitored quarterly and reported to Management Board, the Performance Panel and Cabinet.
- 11 The council's operational services agree annual Service Plans to support the Corporate Plan with close links between business and financial planning. Risk is considered and recorded as part of the Corporate and Service business planning process.
- 12 The council has a Medium Term Financial Strategy 2015-16-2017-18 , which is used to align resources to key priorities. The Financial Strategy is reviewed annually and forms the basis of the annual budgeting process. Quarterly financial forecasts are submitted to the Management Board, the Performance Panel and Cabinet alongside the Performance information.
- 13 Value for money is achieved through a combination of Value for Money reviews and improvement reviews, corporate and service efficiency targets are set and achieved annually.

### **2. Members and Officers Purpose, Functions and Roles**

- 14 The council's Constitution details the roles and responsibilities for decision making between Officers and Members.
- 15 The council appoints a Leader who then appoints the Cabinet (Executive),

which

allocates specific executive responsibilities. There are also a number of committees appointed to discharge regulatory and scrutiny functions. Each Cabinet Member and Committee has clear terms of reference setting out roles and responsibilities, and Councillor remuneration is reviewed and agreed by an independent remuneration panel.

- 16 All leadership roles, the roles of key officers and the Council's Scheme of Delegation (including senior officer decision making responsibilities) are set out in the Constitution. Council officers give advice, implement decisions and manage the day-to-day delivery of its services. A Code of Conduct governs the relationships between officers and members of the Council.
- 17 The council has appointed the following proper officers, statutory officers and their deputies in absence in accordance with relevant legislation:
- **The Head of Paid Service** *is The Chief Executive* in compliance with Section 4 of the Local Government and Housing Act 1989
  - **The Monitoring Officer** *is* the Head of Legal and Governance who is responsible for ensuring compliance with laws, regulations, established policies, procedures laws and regulations. The Monitoring Officer reports to full council if they consider any proposal, decision or omission might give rise to unlawfulness or maladministration. They are also responsible for handling allegations of breaches of the Member Code of Conduct by Borough Councillors and Parish Councillors of any Parish located within the District. The Monitoring Officer works to support the council's customer complaints procedure and complaints to the Ombudsman, ensuring proper access to information and promoting good corporate governance. The Monitoring Officer also reviews the operation of the Constitution to ensure that its aims, principles and requirements are given full effect and makes recommendations on any necessary amendments to full council
  - **The Section 151 / Chief Financial Officer** is the Head of Finance in accordance with Section 151 of the Local Government Act 1972 and other relevant legislation. The Chief Financial Officer prepares the annual Medium Term Financial Strategy, Revenue Budget, Capital Programme and tax levels for review by the Overview and Scrutiny Commission and approval by Cabinet and council. He also prepares and publishes an annual Statement of Accounts that conforms to all statutory and professional requirements, codes of practice and timetables including International Financial Reporting Standards.
- 18 Financial management is conducted in accordance with the Budget and Policy Framework Procedure Rules, Financial Procedure Rules and Contract Procedure Rules in the Constitution. These rules set out the framework within which the Council conducts its financial affairs and ensures proper financial arrangements are in place. The council also has an Anti-Fraud and Corruption Strategy and whistle blowing policy that are updated on a continual basis.
- 19 The Chief Financial Officer determines the accounting procedures, form of financial records and statements, for maintaining the financial accounts of the council and ensures that proper accounting arrangements are established in all services. Chief Officers are responsible for the satisfactory operation of financial and accounting systems within their areas of responsibility and Heads of Service are responsible for planning and managing their service budgets.

- 20 In accordance with the Accounts and Audit (England) Regulations 2011 and the 'Public Sector Internal Audit Standards' published in 2013 the Chief Financial Officer maintains an Internal Audit Section. This provides a shared service to Harrogate Borough Council and Craven District Council under collaboration arrangements and the Audit Manager produces audit plans for the two councils for consideration and approval by the Internal Audit Partnership Board and respective Audit and Governance Committees, reporting regularly on delivery. The council's external auditor is Mazars LLP.
- 21 Since May 2014 the council has had an Audit and Governance Committee which functions as an Audit Committee in accordance with CIPFA guidance and terms of reference. This Committee provides independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. It provides an oversight of internal and external audit ensuring that effective assurance arrangements are in place.
- 22 The council has an approved Corporate Health and Safety Policy and an action plan both of which are reviewed annually. A Corporate Health and Safety Group provides oversight and monitors delivery of the plan. Health and Safety features as a standing item on Management Team agendas. The Council has nominated Health and Safety leads within both Management board (the Director of Economy and Culture) and Cabinet who are charged with championing this issue, providing challenge where necessary and ensuring that the corporate arrangements for health and safety are sufficiently robust.
- 23 The council has a Guide and Toolkit for Effective Project Management providing structure and standardised processes/procedures including risk management. Each project is also assigned a senior responsible officer from the senior management team who is responsible for reviewing the project (progress, governance and risks). For significant projects a senior legal & finance officer is assigned and elected members from each political group are part of the Project Board which regularly meets to review the project.
- 24 The Head of ICT and Customer Services is responsible for the strategic development and delivery of all aspects of ICT. Management Board makes strategic decisions about ICT service development and investment within the Council with reference to the Council's key corporate plans, policies and priorities and has overseen delivery of the Council's ICT Strategy 2012 – 2015. The Technical Advisory Board (TAB) is now embedded in the ICT governance arrangements to ensure that the technical fit of ICT investment is in line with the council's ICT Strategy, which has recently been reviewed. These arrangements were put in place part way through 2014 after the recommendation of a report to Management Board on the 18th of September 2014. The Corporate ICT Strategy Group (CISG) made decisions about ICT service development and investment within the Council prior to that date.
- 25 A new Senior Management structure was implemented from 1st April 2014 with all post-holders being in place by mid-May 2014, including the Head of Legal and Governance and the Head of Finance. The structure was designed to strengthen corporate governance arrangements and leadership across the council as well as reducing the costs of senior management and corporate functions. A key aim was also to strengthen the integration between policy development, change and performance management and service improvement. The oversight of key governance agendas previously within the Department of Corporate Policy and Improvement are now provided by Organisational Development and Improvement and Legal and



Governance .These responsibilities include the following:

- **Organisational Development and Improvement** – Annual review of the Corporate Plan with Cabinet and the Extended Management Team, the integrated business planning framework and delivery of Service Plans and key performance reports, the Innovate Programme (including refreshing governance arrangements) and the associated programme of Service Improvement Reviews.
- **Legal and Governance** - The arrangements for information governance (including the Information Governance Framework), the consolidation of Overview and Scrutiny, Governance and Risk, Community engagement, Equalities and Partnership Working.

26 All council employees have clear conditions of employment, and roles and responsibilities are set out in job descriptions. The Performance Management Framework includes induction and performance appraisal processes for all employees. Performance indicators clearly link individual service plans to the corporate objectives and include details of national and local performance indicators and risk. Individual performance plans link to service plans and the Corporate Plan.

### 3. Values and Conduct

27 The council has developed and adopted a Member Code of Conduct; an Officers Code of Conduct and an employee Code of Practice for Acceptance of Gifts and/or hospitality and Outside requiring employees to declare and register gifts and hospitality offered to them and for acceptance to be authorised if above the prescribed values . The Code also requires certain categories of outside interests to be registered and approved to ensure that there is no conflict of interest, either potential or actual, with the work of the council in general or the role and responsibilities of the employee concerned. There is a Protocol on Officer/Member relationships and a Planning Code of Good Practice for Members and Officers. These Codes define the standards of behaviour expected by the council and the duty owed to the public and there is a requirement for Councillors to make any Declarations of Interest. Training to embed the requirements of the codes is provided by the council's Monitoring Officer and Councillors and Officers are required to observe the codes which form part of the council's Constitution.

28 The council has a Customer Care Policy, Customer Charter and Complaints [Procedures](#). The Monitoring Officer is responsible for dealing with complaints of a more serious nature or those not resolved satisfactorily and is the Council's designated link officer with the Local Government Ombudsman. Elected members play a significant role in ensuring compliance and propriety, collectively, through the Audit and Governance Committee, the Performance Panel and the Overview and Scrutiny Commission and individually as ward members.

29 Staff awareness training is also undertaken to ensure that the council complies adequately with the provisions of all relevant legislation.

### 4. Robust Decision Making

#### (a) Decision Making

30 The council has adopted a Constitution that sets out how it operates, how decisions

are made and the procedures that are followed to ensure that there is an informed and transparent process in place with accountability to local people.

- 31 Full Council is responsible for agreeing new policies and amendments to existing policies. It also sets out the policy and budget framework, and approves the annual budget. The council is made up of 54 elected members. It appoints a Leader who then appoints the Cabinet (the Executive). The Executive is responsible for making day-to-day decisions in line with the budget and policy framework and decisions outside of this framework must be referred to the council.
- 32 The Audit and Governance Committee is the council's Audit Committee and operates in accordance with proper practice as defined in CIPFA guidance. It meets at least six times a year and approves the Statement of Accounts. The General Purposes Committee deals with a range of functions including changes to the council's Constitution, the Member Code of Conduct and Standards issues.
- 33 The Overview and Scrutiny Commission supports the work of the council as a whole and is the parent body for the Councillor Call for Action Panel and Performance Panel. Until May 2014 it was also the parent body for the Governance Panel (Audit Committee) until it was replaced by the Audit and Governance Committee
- 34 Decisions can also be made by officers under delegated powers and reported to Councillors in line with the council Constitution. Authority to make decisions is given in the Scheme of Delegation and by specific agreement by Cabinet. The council also has in place a number of policies and procedures to ensure decisions made are robust and these are included in the Financial and Contract Procedure rules in the Constitution. Compliance with these policies is the responsibility of all Officers
- 35 Internal Audit's role is to provide objective and independent assurance to the Council on the effectiveness of its risk management, control and governance processes. The function is in the process of transferring from a control to risk based approach to its audit planning. Resources will therefore be focussed on the Council's strategic and service-based risks, concentrating on areas where there are gaps in assurance provided by other sources or agencies.

#### **(b) Risk Management**

- 36 The council has arrangements for identifying and managing risks, there is a Risk Management Strategy and a Strategic Risk Register that is monitored and reported to Management Board, Cabinet and the Audit and Governance Committee. Strategic risk management is also co-ordinated by a responsible officer with links to Insurance, Health & Safety and Business Continuity Planning.
- 37 Risk management is included as a specific responsibility in each Cabinet Member's portfolio and Chief Officers are responsible for risk management and internal control within their own areas of responsibility. Service Managers are responsible for ensuring that risk and control are considered in their business planning, decision-making and service delivery, and included in Risk Registers, updated regularly in collaboration with the Cabinet Member.
- 38 Risk is considered in all reports to Cabinet and Management Board using an agreed approach with risk registers that identify and score risks including the controls and mitigating strategies in place to manage them. Cabinet, Management Board and the Audit and Governance Committee monitor risk management arrangements on a

regular basis.

## **5. Member and Officer Skills and Training**

- 39 Following the Borough Council Elections, new Councillors undertake an induction process and training programme to support appropriate Committees. Councillors are not allowed to sit on the Planning, Licensing and Human Resources Committees until such training has been undertaken (or undertaken within an agreed period of time). Training is also provided for members of the Audit and Governance Committee, Performance Panel and the Overview and Scrutiny Commission. The training programme ensures that Councillors have an understanding of the procedures and protocols of the council.
- 40 Members' learning and development needs are also assessed and prioritised with other courses and events also offered. During the course of a Councillor's four year term of office new skills requirements or refresher training requirements are identified.
- 41 Training programmes are identified for Officers as part of the performance appraisal process. This information is fed into the Corporate Training Programme approved by Management Board each year. In addition, mandatory e-learning for staff on data protection, risk management and fraud awareness, safeguarding and equalities and diversity is being developed and implemented

## **6. Public Accountability**

- 42 The Constitution sets out how the public can take part in the decision making process and have the opportunity to contribute at council meetings including the provision to put forward questions and petitions .Full Council usually meets at least six times year and Cabinet monthly. Meetings are open to the public with the exception of exempt items under the legislation where personal or confidential matters are being disclosed. All decision records are publicly available and Key decisions in the Forward Plan are published on the council website.
- 43 The Overview and Scrutiny Commission holds the Cabinet/Cabinet Members to account for actions/decisions (on behalf of the public) with a focus on pre-decision scrutiny and involvement of the public/ local organisations. Community events identify public priorities and members of the public suggest items of concern and attend meetings. The Forward Plan of Key Decisions is published every month detailing the key decisions that are to be taken by the Executive so that the public can make representations before a decision is taken or request the Overview and Scrutiny Commission to review it or Call It in using the Call-In procedure .
- 44 The council values the views of all stakeholders and uses a wide variety of methods to establish their views including a District Panel of 800 local residents. Public consultation is undertaken and coordinated through a Community Engagement Strategy with a register of all consultations undertaken.
- 45 The Corporate Plan is formulated following the results of feedback from the public, Councillors, staff and other key stakeholders. An important aspect of the Plan, is working in partnership with various sectors including other local authorities, statutory agencies, voluntary groups, action groups, contractors and our citizens. The Partnership Plan and Guide To Effective Partnership Working ensures consistency across services when working in partnership, this includes a framework for assessing significant groups and partnerships that is regularly reviewed.

- 46 The council subscribes to the Government's transparency agenda and makes information freely accessible in a reusable format. In addition to this as much information as possible is published about how the council works and where tax payers' money is spent including remuneration for senior management and items of expenditure over £500. There is an Information Governance Framework to ensure effective assurance is in place and ICT security, Transparency, Data audits and Security Incidents are reviewed on a monthly basis by the Information Governance Group. Serious incidents are escalated by the SIRO (Director of Corporate Affairs) or presented to Management Board.
- 47 There is a complaints and feedback system, which records and monitors customer comments, complaints and requests for information this is regularly monitored and reported to Management Board.
- 48 In addition to the work of the internal audit team the Council is subject to external independent audit by Mazars LLP who produce an Audit plan outlining work to be undertaken and the timing of audit reports throughout the year reporting to the Audit and Governance Committee.

### **C. Review of Effectiveness**

- 49 The council must conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Officers/Service Managers who have responsibility for the development and maintenance of the governance environment, reports from a number of individual officers with specific responsibilities, including the Monitoring Officer and the Head of Internal Audit's annual report, and by the external auditors.
- 50 The statement outlines the processes that have been applied to maintain and review the effectiveness of the governance framework, in particular those in relation to the six core principles in the Code of Corporate Governance.

#### **1. Purpose and Vision**

- 51 The 2014/2015 Corporate Delivery Plan: Year-end Report was considered by Cabinet on 20 May 2015, 68.4% of measures met their original targets (this would have increased to 80% if those that narrowly missed their targets were included). The majority of measures that did not meet their target had been highlighted to Cabinet in previous performance reports. The updates provided by Management Board and the Performance Panel were reviewed together with any follow-up actions on performance measures not meeting targets. The annual roll-forward of the Corporate Plan and Annual delivery plan 2015/16 have also been agreed.
- 52 In 2014/15 work was undertaken to further embed service planning across the council. The review of reserves was included within performance clinics and monthly exception reports to management board on service plan actions were introduced. Performance reports were also established for Chief Executive/Director bi-monthly 1-2-1-meetings.
- 53 The 2014/15 Service Plan Year-End report performance was considered by Management Board on 28 May 2015. Of the priority areas identified for each service area 38% (18) were fully completed, 15 (31%) were almost complete and 15 (31%) were not completed. Overall there were 305 measures for which a comparable status

could be assigned and of these 70% (212) were completed. Management Board reviewed performance and determined whether interventions were required.

- 54 The Performance Panel met three times in 2014/15 and considered General Fund Revenue Monitoring and quarterly Delivery Plan Performance throughout the year, it also considered The Medium Term Financial Strategy with the Overview and Scrutiny Commission in September 2014 and Housing Performance issues. A Final report from the Panel on year-end performance was reported to Cabinet in February 2015.
- 55 The Service reviews of Street Scene and Housing were completed in 2014/15 with actions/plans incorporated in Service Plans for 2015/16. Progress on other service reviews such as Safer Communities will be considered in 2015/16 when the council's Value for Money Strategy is reviewed.

## 2. Members and Officers Purpose, Functions and Roles

### (a) The Constitution

- 56 The Constitution was reviewed and updated following the Senior Management Restructure (with particular attention on the Scheme of Delegation to Directors) with Directors contacted in April 2014 to ensure that delegations to subordinates were up to date. Amendments to reflect new powers/changes under legislation were reported and approved by the General Purposes Committee.

### (b) The Audit and Governance Committee

- 57 The Audit and Governance Committee met 5 times in 2014/15 and considered the following:
- **Treasury Management** - Annual Report/Strategy/Annual Investment Strategy/Prudential and Treasury Indicators/Annual minimum revenue provision statement
  - **Fraud Risk/Investigations** - Impact of the Single Fraud Investigation Service
  - **The Strategic Risk Register**
  - **Internal Audit** - Charter/Annual Report/Plan/Progress reports/Collaboration with Craven DC/Review of Effectiveness
  - **General Fund Final Accounts/Annual Governance Statement**
  - **External Audit** - Compliance Review/Audit Completion Report/Annual Audit Letter/Audit Progress Report /Certification of Claims and Returns Annual Report/Audit Strategy Memorandum

### (c) Health and Safety

- 58 The Council's corporate arrangements to ensure health and safety were strengthened in 2014/15 with completion of the first round of the Health and Safety audit programme and the adoption of action plans following the conclusion of each audit.

### (d) Internal Audit

#### I. Work undertaken

59 In brief, Internal Audit undertook the following in 2014/15:

- Held regular meetings with the Chief Executive, reported regularly to the Head of Finance (the Council's S151 officer), Management Board and the Audit and Governance Committee.
- Held regular meetings with the Council's external auditors, Mazars LLP
- Produced audit plans in consultation with senior management.
- Gave 'significant' or 'good' levels of assurance on the annual audits of major financial systems completed at the time of writing. No significant issues have arisen that would merit inclusion in this statement. This will be updated to cover those audits which are still in progress
- Specific work:
  - Review of compliance with good practice and the rules on procurement
  - Supporting the review of compliance with the Payment Card Industry Data Standards
  - Providing Audit support to various Innovate initiatives – in particular the Office Accommodation Project , Document Management and Document Retention
  - Undertaking two pilot sensitive data audits in partnership with the Information Governance Officer
  - Reviewing the potential impact on the Authority of the Department of Work and Pension's initiative to set up the Single Fraud Investigation Service

## **II. Review of the Effectiveness of Internal Audit and Compliance with the Public Sector Internal Audit Standards**

60 Under the Accounts and Audit (England) Regulations 2011, a local authority is required at least once a year to carry out a review of the effectiveness of its internal audit. From 1st April 2013 the 'Code of Practice for Internal Audit in the UK' (last revised in 2006) was replaced by a new set of standards, the 'Public Sector Internal Audit Standards' (PSIAS) which are mandatory for all authorities which are required to comply with the 2011 regulations. CIPFA have provided guidance on the PSIAS in the form of an Application Note: when combined the two documents constitute 'proper practice' as set out in the 2011 regulations.

61 The PSIAS and Application Note require that every local government internal audit service be subject to an external assessment of its work against the standards at least once every five years. In 2014 Mazars LLP, the council's external auditors, carried out a compliance review of internal audit against the standards. Their overall conclusion was that internal audit is substantially compliant with the requirements of PSIAS and the CIPFA Application Note, with several areas for improvement. In particular, the report noted that the annual review of the effectiveness of internal audit had not been formally undertaken either by a suitably independent person or the Head of Internal Audit since 2011 and that this was a significant weakness that required immediate remedial action from the council.

62 In response to this the Audit Manager carried out an assessment of the service provided by internal audit provided during 2013/2014 and concluded that overall, internal audit provided an effective service. This was considered by the council's Audit and Governance Committee at its meeting in July 2014 who agreed the conclusions and recommendations in the report. As an interim measure, the process and the evidence used in the Audit Manager's assessment was subject to an independent

evaluation by an officer in a different service. This evaluation identified ways in which the review of effectiveness of internal audit could be strengthened in future years, in particular around the involvement of a suitable independent person.

- 63 The review of the effectiveness of internal audit was identified as a significant governance issue for action and monitoring in 2014/2015 due to the high priority recommendations made by Mazars in their report on internal audit's compliance with the PSIAS, and the findings of the independent officer's interim evaluation of the 2013/2014 review of effectiveness. Under the Accounts and Audit Regulations, the requirement for an annual review of the effectiveness of internal audit has been overtaken by events as the 2011 Regulations have been replaced by the 2015 Regulations with effect from April 2015. As a result there is now no longer a requirement for an annual review of the effectiveness of internal audit. Instead, an annual review of the effectiveness of the systems of internal control must be conducted. Therefore, for 2015/16 onwards, the council will consider how this annual review will be carried out and reported. For 2014/15, the 2011 Regulations still applied and the review of the effectiveness of internal audit was carried out with the interim arrangements for 2013/14 as there was little value in the development of a review process with a limited lifespan.
- 64 The results of the review were reported to the Audit and Governance Committee on **20 July 2015**. The Committee agreed with the view that Internal Audit is effective overall and authorised the Chairman to sign the Certificate on the Effectiveness of Internal Audit 2014/15.

#### **(e) The Senior Management Restructure**

- 65 The Senior Management review took effect from April 2014. The main objective of the restructure was to reduce the number of Directors and Heads of Service to 4 and 11 respectively, and reduce senior management costs by c£250,000 with all Director and Head of Service appointments completed by May 2014. A reduction in corporate function costs has been achieved in part through the consolidation of three Director level posts into the new post of Director of Corporate Affairs. Further opportunities to reduce central costs are being achieved through the restructure of the services within Corporate Affairs, which is expected to deliver savings of c£300k in 2015/16. The change in the role of the s151 officer from Director to Head of Service has not had a detrimental governance impact as the Head of Finance attends Management Board and reports regularly to the Chief Executive.
- 66 The service restructures within Organisational Development and Improvement and Legal and Governance have been undertaken. New job descriptions were agreed and the majority of staff in post by 31 March 2015.

#### **(f) CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010**

- 67 The Council meets the requirements set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and no officer or member has raised any case where financial matters have been compromised as a result of the Chief Financial Officer's other management responsibilities (Principal 1 of 5). The council's external auditors were consulted on the role of the Chief Financial Officer in the restructure and arrangements are in place for the Head of Finance to report directly to the Chief Executive as required.

### **(g)The Innovate Programme**

68 In 2014/15 the Innovate programme was refreshed and projects combined to give clarity on roles and responsibilities with new Senior Responsible Officers appointed as appropriate. The innovate programme as a whole will be reviewed for the next iteration of business transformation within the council, taking into account the entrepreneurial work that is on-going and completion of other key areas of work. The governance arrangements for the Office Accommodation project has been reviewed with a further review timetabled for 2015/16.

## **3. Values and Conduct**

### **(a) Member Code of Conduct**

69 There were 10 complaints alleging Member breaches of the Code of Conduct, 3 of which related to Parish Councillors. There were 3 complaints referred for investigation by the Monitoring Officer, 1 resulted in a finding by the investigating officer that there was no breach of the Code, 1 in a Panel Hearing that found breach of the Code and 1 is on-going.

### **(b) Customer Complaints**

70 There were 98 complaints received in 2014/15 of these 32 were resolved at stage 1, 34 resolved at stage 2 and 22 resolved at stage 3. There were 10 unresolved complaints with 9 at Stage 1 and 1 at Stage 2.

## **Local Government Ombudsman**

71 The Annual Review Letter from the Local Government Ombudsman records that, for the period ending 31 March 2015, 26 complaints and enquiries were received in respect of the Council. It also records that 8 decisions were made in this period, 2 of which found fault on the Council's behalf but were not significant findings of maladministration and no financial compensation was required.

## **4. Robust Decision Making**

### **(a) Decision Making**

#### **I. The Council**

72 Full Council met 10 times in 2014/2015 including the Annual General Meeting. Throughout the year it considered and approved the minutes of Cabinet, reports from The Overview and Scrutiny Commission, The Audit and Governance Committee, General Purposes Committee, Human Resources Committee and the Licensing Committee. They also considered the following:

- **Finance** – Medium Term Financial Strategy/ General Fund Final Accounts 2013/14/ Local Council Tax Reduction Scheme 2015/16/ Revenue Budget 2015/16/Finance reports/ Treasury Management Annual Report 2013/14/ Treasury Management Annual Strategy, Annual Investment Strategy, Prudential and Treasury Indicators, Annual Minimum Revenue Provision Statement/ Extension of Discretionary Rate Relief Policy
- **Housing** – Change to the Scheme of Delegation Providing Assistance to Tenants to Move to Smaller Accommodation/ Housing Revenue Account



- Budget 2015/16/ Housing Investment Programme 2015/16
- **Planning** - Harrogate District Sites and Policies Development Plan Document/ Land at Grange Quarry, Oak Beck, Harrogate
- **Policy/Delegation** – Statement of Licensing Policy Review/ Safer Communities Enforcement Policy/ The Police and Crime Act 2009 – Changes to the Scheme of Delegation
- **Performance** – HIC 6 monthly reports/2014/2017 Corporate Plan and Delivery Plan
- **Major Projects** – Accommodation Project Consultation

## II. Cabinet

73 Cabinet met 15 times in 2014/2015 and in addition to decision making reports and issues to be referred to council , they considered the following:

- Quarterly reports for Corporate Performance
- The Strategic Risk Register review reports
- Accommodation Project updates
- General Fund Revenue Monitoring reports
- Service Review updates
- Review of Business Unit Reserves
- Welfare Reform Actions
- Partnership working /Combined Authority/Leeds City Region updates
- Tour de France outcomes

## III. General Purposes Committee

74 General Purposes Committee met five times in 2014/2015 and in addition to issues to be referred to council , they considered the following:

- Appointments to Committees and Working Groups/Outside Bodies
- Review of Polling Districts, Places and Stations
- Proposed Boundary Review
- Standards Complaints

## IV. Management Board

75 In 2014/15 Management Board met fortnightly and considered the following (including those issues for decision/action/ consideration by council, Cabinet, Overview and Scrutiny or General Purposes Committee)

- The Corporate Plan/Delivery Plan
- The Final Accounts 2013/14
- The Medium Term Financial Strategy
- The Draft Revenue Budget 2015/16
- Regular General Fund monitoring Reports
- Corporate/Service Improvement review updates
- Performance updates
- An annual report on corporate risk management arrangements
- A revised Strategic Risk Register, and risk assessments in support of a range of decisions made.

## V. Management Team/Heads of Service

- 76 Heads of Service held regular management meetings in 2014/2015 and reviewed key elements of the governance arrangements within their services including integrated service improvement planning, financial management, performance management, risk management and health and safety.
- 77 Outline Senior Manager Assurance Statements were circulated in May 2015 for consideration by Directors/Heads of Service. These will be agreed and completed in advance of the Annual Governance Statement 2015/16 but for the purposes of this Statement Directors/Heads of Service were asked to confirm that appropriate governance arrangements were in place/procedures undertaken in 2014/15.

### (b) Risk Management

- 78 The Strategic Risk Register was reviewed and updated with regular reports to Management Board, Cabinet and the Audit and Governance Committee in 2014/15. Confirmation of appropriate Strategic Risk Register and service risk management/monitoring in 2014/15 was received from Directors/Heads of Service.
- 79 In 2014 the council used the Alarm/CIPFA Risk Management Benchmarking Model to establish the maturity of the organisation's risk management arrangements and the extent to which they are embedded in the organisation. This had been undertaken previously in 2010 and the results were compared with other comparator authorities as well as the council's previous scores. The results showed an overall decrease in scores from 2010 to 2014 by 133 points whilst the average comparator group score for each category was higher in 2014 than in 2010. It is acknowledged that there are reasons for this decrease in scores and the Model also provides guidance on the different categories that can be used to identify remedial actions. Risk management arrangements are therefore being reviewed including the development of a new Risk Management Strategy with the benchmarking results giving clear indications for priorities that will be reported to Management Board, Cabinet and the Audit and Governance Committee in 2015/16. This is identified as a significant governance issue and is also included in the Internal Audit work plan for 2015/16.

## 5. Member and Officer Skills and Training

- 80 Members on council Committees received appropriate training in accordance with the Constitution/Committee requirements. There were 7 Councillor briefings in 2014/15 including Transport, Office Accommodation and the Budget.
- 81 Confirmation of the provision of appropriate training courses for employees was received from Directors/Heads of Service for Mandatory, legislation/compliance, corporate and service based training in 2014/15.

## 6. Public Accountability

- 82 The Overview and Scrutiny Commission met 11 times in 2014/15 and undertook the following items of work:

**Statutory Crime and Disorder Responsibilities** - The Draft Police and Crime Plan/ Proposed New North Yorkshire Community Safety Partnership Structures 2014/ Chief Constable/ Regular Scrutiny of Police Performance/ North Yorkshire Police Operational Policing Model Consultation/Regular Scrutiny of Community Safety

Partnership Performance/ Police and Crime Plan 2013 – 2016/ Community Safety Partnership Annual Report 2014-15 / Delivery Plan 2015-16/  
**Health and Well Being** - Public Health/Dementia Forward/North Yorkshire Alcohol Strategy 2014-2019/NHS England - Review of PMS Contracts  
**Budget and Policy Framework** - Medium Term Financial Strategy 2015/16 to 2017/18/Draft General Fund Revenue Budget 2015/16  
**Pre-Decision** - Housing Development on HRA Garage Sites/Street Scene Review/Review of Recharges/ Tender for Sun Pavilion Management Arrangements  
**Scrutiny of Service Performance** – Throughout 2014/15 Heads of Service presented service performance updates to the Commission.

- 83 There were no Call-Ins throughout 2014/15, the Forward Plan was considered at each meeting and items agreed for Pre-Decision Scrutiny with Cabinet. Requests from members of the public were also considered at each meeting resulting in two items of work being undertaken, one of which will be considered as part of the Work Programme 2015/16. A community Event was also held where all partner organisations were invited to identify major issues/concerns resulting in a major review of Social Isolation with significant involvement of partners/the public that will be carried forward into 2015/16.
- 84 There was one self-reported data protection breach reported to the Information Commissioner's Office (ICO) in October 2014 (this followed a self-reported breach in January 2013) neither resulted in enforcement action by the ICO but as a result of the second breach the ICO informed the council that any further incidents would lead to the matter being revisited, with enforcement action considered as a result. It was also identified that there was an Increased risk to data (including personal data) during offices moves and also loss of important business information by staff trying to rationalise storage both for paper copies and electronic files. As a result of these issues and the fact that there is on-going work on document management taking place Information Governance has been identified as a significant governance issue for action and monitoring in 2015/2016.
- 85 In 2014/15 there were 39 community engagement outcomes/projects including District Panel consultations with the results and outcomes reported to respondents/residents.
- 86 In 2014/2015 auditors from Mazars LLP attended the Audit and Governance Committee and presented agreed plans/work (See 57).

## **7. Significant Issues Brought Forward from the Annual Governance Statement 2013/2014**

- 87 The review of the effectiveness of internal audit was identified as a significant governance issue for action and monitoring in 2014/2015 due to the high priority recommendations made by Mazars in their report on internal audit's compliance with the PSIAS, and the findings of the independent officer's interim evaluation of the 2013/2014 review of effectiveness, the response/actions in 2014/15 are detailed in paragraph 63.

### **E. Significant Governance Issues**

- 88 There are two significant governance issues that have been identified for action and monitoring in 2015/2016.

#### **1. Review of risk management arrangements: The Alarm/CIPFA Risk**

2. Management Benchmarking exercise to establish the maturity of the organisation's risk management arrangements and the extent to which they are embedded in the organisation was undertaken in 2014/15. The results indicated an overall decrease in scores from 2010 to 2014 and therefore Risk Management is being reviewed and plans are being put in place to improve and strengthen this area including the development of a new Risk Management Strategy. Progress will be reported on a regular basis including to Management Board, Cabinet and the Audit and Governance Committee in 2015/16.
3. **Information Governance** – As a result of potential further action by the ICO and the increased security risk to data (including personal data) during offices moves and also loss of important business information by staff trying to rationalise storage both for paper copies and electronic files, Information Governance has been identified as a significant governance issue. Progress/monitoring will be reported on a regular basis including to Management Board, Cabinet and the Audit and Governance Committee in 2015/16.

The Audit and Governance Committee has overseen production of the draft Annual Governance Statement 2014/2015 and agreed that it is consistent with their view of the Council's governance arrangements, based on reports made to them 2014/2015 and they therefore recommend it for approval by the Leader of the Council and the Chief Executive.

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**Councillor S Theakston**

**Date 29 September 2015**

**Chair of the Audit and Governance Committee**

I have been advised on the implications of the result of the review of the effectiveness of the governance framework as overseen by the Audit and Governance Committee. A plan to ensure continuous improvement of the systems is in place and we propose over the forthcoming year to take steps to further enhance our governance arrangements.

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**Leader of the Council**

**Date 30/09/15 Chief Executive**

**Date 30/09/15**

**Councillor R Cooper**

**Mr W Sampson**