

STATEMENT OF ACCOUNTS For the year ended 31 March 2014

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

1. The Council's accounts for the year ended 31 March 2014 are set out on pages 10 to 68. They consist of:
 - **the Statement of Responsibilities for the Statement of Accounts** – which explains both the Authority'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 authority, 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 authority'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 authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
 - **the Cash Flow Statement** – the Cash Flow statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.
 - **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

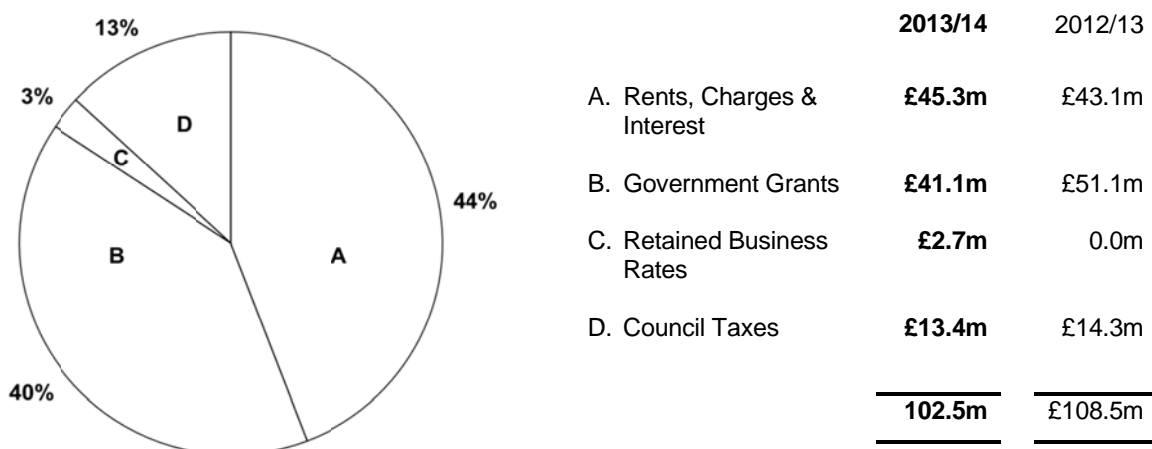
EXPLANATORY FOREWORD

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 2013/14, 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 £20.4m.
3. **Where the money comes from (£102.5m)**

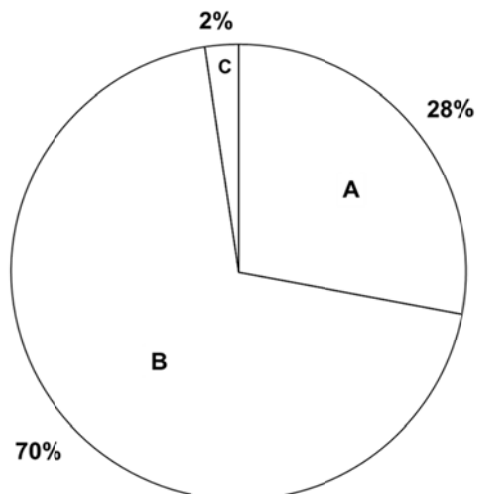


Revenue Support Grant, other general government grants and specific service grants for things like Housing Benefits plus Retained Business Rates which replaced part of Government Grant in 2013/14 provides over two fifths of the total. Nearly half of the Council's income comes from the services it provides through rents, fees and charges and external interest. Council Taxpayers contribute just over one eighth of the total income.

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4. What the money is spent on (£102.5m):

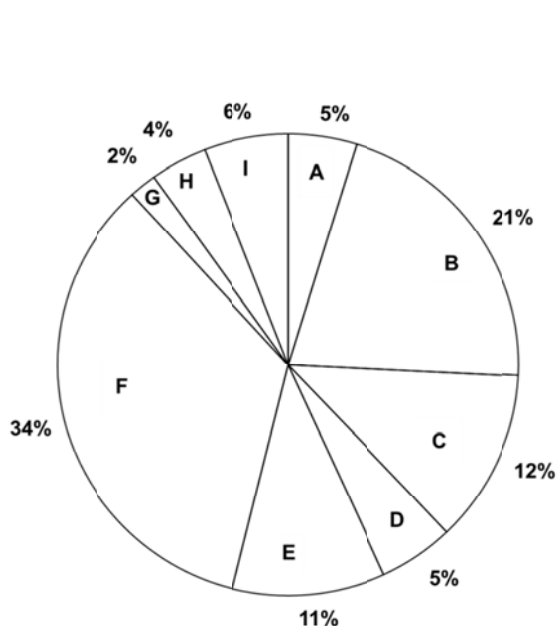


	2013/14	2012/13
A. Employees	£28.7m	£28.9m
B. Running Expenses	£71.4m	£77.1m
C. Treasury Management Expenses	£2.4m	£2.5m
	£102.5m	£108.5m

Running expenses such as maintaining buildings, paying benefits, operating vehicles and purchase of supplies and services take up nearly three quarters of total expenditure. Employees account for about 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 (£100.5m):

Gross Spending per the Comprehensive Income and Expenditure Statement reduced by the levy payment to Leeds City Region Business Rate Pool of £20.4m and before adjustment for General Fund Balance Movements allowed by legislation. See page 13.



	2013/14	2012/13
A. Central Services to the Public	£4.8m	£12.5m
B. Cultural & Related Services	£21.1m	£26.6m
C. Environmental and Regulatory Services	£12.2m	£12.0m
D. Planning Services	£5.3m	£5.3m
Housing Services:		
E. Council Housing	£10.7m	£12.6m
F. Other Housing Services	£34.5m	£34.3m
G. Highways, Roads & Transport	£1.9m	£2.2m
H. Corporate and Non Distributed Costs	£4.0m	£3.7m
I. Other Operating Expenditure	£6.0m	£8.2m
	£100.5m	£117.4m

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.

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

Environmental Services includes waste collection, recycling, cemeteries and crematorium, 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 63 for details, and other housing services such as homelessness, housing advice, housing benefits and housing improvement grants.

Highways, Roads and Transport 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 authority.

Non Distributed Costs includes mainly cost relating 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 2013/14 and how these compare with actual income and expenditure are set out below:

	Original Budget	Actual	Difference
	£m	£m	£m
Gross Expenditure on Services	84.3	83.8	-0.5
Income	-59.4	-60.5	-1.1
Cost of Services	24.9	23.3	-1.6
Financing and Investment and other operating costs (net)	2.2	3.7	1.5
Taxation and non-specific Grant Income	-22.7	-24.2	-1.5
Deficit / Surplus (-) on the provision of services for year	4.4	2.8	-1.6
GF Balance Transfers to/from (-) Reserves	-4.5	-4.1	0.4
Net Movement on GF Balance (see page 11)	-0.1	-1.3	-1.2
GF Balance brought forward	3.2	3.9	0.7
GF Balance carried forward	3.3	5.2	1.9

7. The Cost of Services was £1.6m lower than budget. However, actual service spending included revaluation losses of £0.7m on the Council's GF operational property. These charges to services are reversed out centrally by a transfer from Capital reserves, included in GF Balance Transfers, in accordance with legislation, so have no impact on the actual net cost of the GF and Council Taxes.

Service spending also included pension contributions of £5.1m in line with International Accounting Standard (IAS) 19 (see Accounting Policy, note 1v page 16), whereas service budgets included £5.4m of estimated actual pension contributions in year. Other operating expenditure included estimated pension fund net interest on the net defined liability of £1.9m, whereas the outturn IAS 19 figure was £3.2m, an increase of £1.3m. An adjusting

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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.

Conference and Exhibitions gross spending was up £0.3m on original budget. However, this includes a charge for asset revaluation losses of £0.2m, which was adjusted out of General Fund net cost under regulations in the GF Balance Transfers line. However, this is offset by a reduction in normal depreciation charges of £0.1m due to the asset revaluations that took place in 2012/13, the true underlying increase in gross cost being £0.2m. Trading Income was also up £0.2m despite the continuing effects of the recession. After adjusting for the reduction in actual pension contributions charged to HIC in line with IAS 19, which are reversed out centrally by a transfer from the pensions reserve and other internal charges variations, the real underlying trading deficit charged to the General Fund was £0.1m lower than budget.

8. Income from specific Government Grants excluding Housing Benefits Grant was up £0.2m, however these are generally matched by increased spending. Housing Benefit Grant was down £0.4m but with reductions in spending there was a net saving of £0.2m overall.

Income from local fees and charges, other grants and contributions and internal recharges (excluding Conference & Exhibitions) was up £1.1m on the original estimate. However, this income is also generally matched by corresponding increases in spending or transfers to reserves for specific purposes where the related spending has not yet taken place. Real income savings reported in the year were for recovered legal/court costs of £0.1m.

9. Short term interest rates available throughout the year were lower than forecast, due to the continuing effects of the banking crisis. However, higher internal balances and good Treasury Management performance on longer term dealing meant that interest returns were in line with the estimate.

Financing and Investment and other operating costs variations also included a revaluation gain of -£0.3m on Investment Properties, an increase in the interest cost of pensions of £1.3m (see note 7 above), a deficit on disposal of assets of £0.1m, and an increase in the payment to the Government capital receipts pool of £0.4m. However all these items are transferred to, or from, capital and pension reserves and so have no effect on the General Fund net cost.

Taxation and non-specific grant income includes an additional £1.1m of capital grant income, which was adjusted out of General Fund net cost under regulations in the GF Balance Transfers line. This also includes an additional £0.9m of grant in the year to compensate for reduced retained Business Rate income as a result of the Government increasing small business rate relief, however Business Rate Retention levy payments to Leeds City Business Rate Pool were also up £0.2m. The Collection Fund Deficit for business rate income was up £0.4m, however this was offset by an increase of £0.1m in the Collection Fund Council Tax surplus. These surpluses and deficits are also adjusted out of General Fund net cost under regulations in the GF Balance Transfers. These payments are not due under regulations until future years.

Other expenditure savings identified in the year were on employee costs due to vacant posts and revised working arrangements; a total saving of £0.5m. There was a £0.3m reduction in Information, Communication and Technology costs charged to services, a reduction of £0.1m on Homelessness bed and breakfast and leasing payments, release of funds set aside for specific purposes no longer required of £0.2m and £0.4m of other savings in net spending across all Business Units achieved by departmental managers exercising strict budgetary control.

10. In summary, true in-year General Fund savings reported to Cabinet for resource reallocation decisions were £2.6m. These savings allowed further in-year transfers to reserves for specific purposes (£0.6m), in addition to the transfers to earmarked reserves where budget savings or funding are already approved to be ring-fenced. The £1.5m balance of unallocated 2013/14 savings has been transferred to the working balance pending approval for use on specific projects by transfer to earmarked reserves, this is in

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addition to the budgeted transfer to the working balance of £0.1m and additional £0.4m agreed by Cabinet in the revised budget. £0.8m of prior year savings held in the working balance at 31 March 2013 were transferred to specific earmarked reserves during 2013/14, so the net movement on the working balance for the year was £1.3m, giving a balance at 31 March 2014 of £5.2m.

Balances held in earmarked reserves for specific purposes at 31 March 2013 were £2.5m higher than budgeted following the year end transfers of savings in 2012/13. Changes in programmed capital and revenue spending from these reserves in 2013/14, in addition to the transfers of new in-year savings, meant that the net amount transferred from earmarked reserves in the year was £1.0m instead of the expected transfer from reserves of £2.0m. The result is that there were earmarked reserves of £16.6m at 31 March 2014 compared to the original forecast of £13.1m.

Housing Revenue Account Budget

11. The main components of the budget for 2013/14 and how these compare with actual income and expenditure are set out below:

	Original Budget	Actual	Difference
	£m	£m	£m
Gross Expenditure	11.8	10.7	-1.1
Income	-16.7	-16.8	-0.1
Net HRA Service Expenditure	-4.9	-6.1	-1.2
HRA Share of other operating costs (net)	1.7	1.2	-0.5
Surplus (-) or Deficit on HRA Services, see page 63	-3.2	-4.9	-1.7
Adjustments between accounting and funding basis under regulations	0.4	0.6	0.2
Net Movement on HRA Balance	-2.8	-4.3	-1.5
HRA balance brought forward	9.8	10.7	0.9
HRA balance carried forward	12.6	15.0	2.4

12. Gross expenditure was lower than the original budget by £1.1m. This was primarily due to 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, systems development and on the cost of irrecoverable rent.

Income was £0.1m higher than budget. Income from garage rents was £72k higher than originally estimated, whilst the housing repairs team received £66k from the General Fund for repairs carried out to General Fund buildings.

The HRA share of net operating costs was £0.5m lower than budgeted, due to a £0.5m gain on the sale of non-current assets.

The £0.2m increase on adjustments between accounting and funding basis includes the reversals of the gain on sale of assets described above (£0.5m), ensuring that this item has no net effect on the movement on the HRA balance. Also, the budget included a £0.4m contribution from revenue to capital expenditure, to partly fund the improvement programme for Council dwellings, but this programme underspent in the year and the contribution from revenue was not required.

These variations mean that the net surplus on the HRA for 2013/14 was £4.3m instead of the budgeted for £2.8m. The HRA working balance brought forward was £10.7m, which was £0.9m higher than originally forecast, and the balance carried forward is therefore £15.0m.

Capital

13. In 2013/14 the Council spent £8.2m on capital projects compared with the original budget of £7.0m. A large part of the capital spending (£5.9m) was on the Housing Investment Programme (original budget £4.7m). The increase in Housing spending was mainly due to the approval in 2013/14 of a scheme of insulation works to Council Houses costing £1.1m, financed directly by a utility company.

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14. Capital spending of £2.35m on non-housing schemes was in line with the original budget of £2.3m. Reduced capital spending on community facilities of £100k and savings on vehicle purchases of £200k, together with £200k of vehicle replacements being carried forward to 2014/15 were offset by additional spending approved during 2013/14 of £150k for a waste compactor, computer equipment and relining of a cremator. In addition there was £400k of expenditure on recycling bins and boxes which had originally been programmed for 2012/13.
15. Capital receipts from asset sales etc during the year totalled £1.1m (including £1.0m from the sale of Housing Revenue Account houses and land) and the pooled share of these receipts paid over to the Government was £639k. Capital expenditure in 2013/14 was funded from revenue contributions including Major Repairs Reserve (£4.5m) and earmarked General Fund Reserves (£2.2m), grants and contributions (£1.4m) and capital receipts (£0.1m).

Borrowing

16. Total outstanding loans owed to external parties amount to £68.1m. This figure is offset by external lending totalling £25.3m. The Housing Revenue Account has an underlying borrowing requirement for capital of £75.8m, offset by its cash balances of £14.8m. However, these figures should be viewed in relation to the Council's assets which have a net book value of £254m and an insurance value of over £630m.

Pension Liability

17. The Council's share of the net liability on the North Yorkshire Pension Fund is £30.9m at 31 March 2014. 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 some signs of improvement in 2013/14 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 down £200k on prior year despite longer term dealings and higher internal balances in reserves.

Other sales, fees and charges showed some improvement particularly on Planning, Car Parking and other income streams like the sale of recyclates. Conference & Exhibitions income is still being affected, up just £50k on the previous year's figure. However, this was a £0.2m increase on the original budget figure.

The Council's Conference & Exhibition properties, Public Gardens, and Markets were also 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 so the net amount required to be charged to service revenue accounts was just £0.7m compared to the previous year's £7.2m.

Housing Revenue Account assets and Investment Properties had their normal annual review. Council Houses showed a small revaluation gain of £30k, which was credited to the HRA, and Investment Properties of £0.4m, which was credited to the Financing and Investment line in the Comprehensive Income and Expenditure Statement. The total net revaluation losses of £0.3m 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.

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Changes

19. On the 1 April 2013 the Government introduced the Business Rate Retention Scheme which replaced the previous arrangement of the payment of a fixed amount of grant from the Government National Non-Domestic Rate Pool. Under the new scheme, the Council retains 40% of the Non-Domestic Rates (NDR) that it collects, whilst 50% is paid to the Government, 9% is distributed to North Yorkshire County Council and 1% is paid to North Yorkshire Fire & Rescue Authority.

The Council also pays a tariff to the Leeds City Region Business Rates Pool, which is the difference between the Government's assessment of the Council's 40% share and what it needs in funding. If there is any growth in Business Rate income for the year the Council pays a levy of 50% on its share of the income to the pool and retains 50%. As a member of the Leeds City Region Business Rates Pool the levy will be retained by the pool instead of being paid to the Government.

These changes are reflected in the Comprehensive Income and Expenditure Statement in the Non-Domestic Rates Income & Expenditure line. The overall reduction in NDR Income from 2012/13 of £4.9m is offset by the increase in general Government Grant, Revenue Support Grant of £4.8m. However, this figure includes some government grants which were included elsewhere in 2012/13 e.g. Council Tax Support Funding and Council Tax Freeze Grant. There was an underlying reduction of 7% (£600k) in the baseline for Government Support between 2012/13 and 2013/14. The changes are also reflected in the balance sheet which now includes the Council's 40% share of NDR Collection Fund deficit, debtors, provisions, and receipts in advance.

The net cost of services reduced by £8.2m from 2012/13 to 2013/14, from £25.5m to £17.3m, per the Comprehensive Income and Expenditure Statement. There was an £8.1m reduction in revaluation losses, as described in note 33 on page 61, which accounts for the majority of this change. However, there were some notable variances within some services, although the overall net effect is minimal. Council Tax Benefit payments were replaced with a Local Tax Reduction scheme which resulted in a reduction of £7.9m in Central Services gross spending but this was matched by a reduction in government subsidy for these payments, the underlying support for the scheme is now included in general government grant. The net cost of the Conference and Exhibition Centre increased slightly by £150k, including increases in costs for cleaning and security. Staffing costs within Planning were reduced by £200k, due to posts being held vacant during a review of the service, whilst Planning income increased by £161k. The net cost of the Housing Revenue Account reduced by £690k, largely due to a reduction in repairs and maintenance costs of £403k and increased income of £487k, primarily due to rents increasing in line with Government guidance. Within Housing General Fund there were some areas of increased expenditure, including £83k on disabled facilities grants. Highways and Transport net cost was down mainly due to the reduction in revaluation losses of £270k but car parking income was also up £95k due to the mild winter. The costs of employee termination benefits included in Non-Distributed Costs increased by £414k, largely due to the effects of the senior management review.

The accounting code for the 2013/14 accounts required the Council to adopt the 2011 amendments to the following Accounting Standards: IAS1 (Presentation of Financial Statements), IAS19 (Employee Benefits), IAS12 (Income Taxes) and IFRS7 (Financial Instruments Disclosures). The only one of these that has a material impact on the Council's accounts for 2013/14 is the amendment to IAS19. This required a change in accounting policy. The change and impact on the accounts is explained in more detail in note 2 to the financial statements on page 27, Changes in Accounting Policies. Other accounting standards that have been amended but not yet adopted in the code for the 2013/14 accounts are shown in note 3 to the accounts.

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

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Planned Future Developments in Service Delivery

21. In 2013/14 the Senior Management Structure of the Council was reviewed and the outcome was a reduction in the number of Directors from six to four and Heads of Service and Service Areas from twelve to eleven. The new structure took effect from the 1 April 2014 and is expected to be more efficient and result in savings of around £250k per annum in central support service costs.

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 currently undergoing public consultation until the 4 August 2014 on the options for future office accommodation for the Council, the results of which will be reported at the end of August. The Workplace Board is progressing work on agile working, document management and energy to support improvements in the workplace and more efficient use of resources. The Improvement Board will continue its programme of planned service reviews, explore opportunities for collaboration, ensure the delivery of a transactional website and improved customer service together with embedding a continuous improvement culture.

Significant Provisions

22. There were two significant provisions made in the accounts for 2013/14; a provision of £0.7m for the Council's estimated liability under the new Business Rate Retention scheme for appeals against Non-Domestic rate bills issued in 2013/14 and earlier years still to be settled, and another for £0.4m for redundancy payments. See notes 18 and 28 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 Anne Wray in the Department of Resources, Council Offices, Crescent Gardens, Harrogate HG1 2SG, telephone (01423) 500600 extension 56107 or email anne.wray@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 2013/14 commences in June 2014.

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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 2014 and its income and expenditure for the year then ended.

.....
Andrew Crookham CPFA, Head of Finance

.....
22 September 2014

APPROVAL BY CHAIR OF AUDIT & GOVERNANCE COMMITTEE

This Statement of Accounts was approved by a resolution of the Audit & Governance Committee of Harrogate Borough Council on 22 September 2014.

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

.....
22 September 2014

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MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Capital Receipts	HRA Major Repairs	Earmarked GF	Capital Grants	General Fund	Housing Revenue	Total Usable	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2013	2,630	838	17,551	956	3,942	10,723	36,640	81,628	118,268
Surplus or Deficit (-) on provision of services	0	0	0	0	-2,882	4,948	2,066	0	2,066
Surplus or Deficit(-) on the Revaluation of non-current assets	0	0	0	0	0	0	0	1,372	1,372
Actuarial gains or losses(-) on pension assets/liabilities	0	0	0	0	0	0	0	49,898	49,898
Total Comprehensive Income and Expenditure	0	0	0	0	-2,882	4,948	2,066	51,270	53,336
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
under pension scheme regulations	0	0	0	0	2,955	-65	2,890	-2,890	0
with regulations	0	0	0	0	375	0	375	-375	0
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
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
Net Increase/Decrease(-) before transfers to Earmarked Reserve	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
Increase /Decrease (-) in year	400	-761	-990	108	1,272	4,320	4,349	48,987	53,336
Balance at 31 March 2014 carried forward	3,030	77	16,561	1,064	5,214	15,043	40,989	130,615	171,604

HARROGATE BOROUGH COUNCIL
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Capital Receipts	HRA Major Repairs	Earmarked GF	Capital Grants	General Fund	Housing Revenue	Total Usable	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	1,146	443	16,975	990	4,378	7,185	31,117	105,923	137,040
Surplus or Deficit (-) on provision of services	0	0	0	0	-11,279	2,397	-8,882	0	-8,882
Surplus or Deficit(-) on the Revaluation of non-current assets	0	0	0	0	0	0	0	877	877
Actuarial gains or losses(-) on pension assets/liabilities	0	0	0	0	0	0	0	-10,767	-10,767
Total Comprehensive Income and Expenditure	0	0	0	0	-11,279	2,397	-8,882	-9,890	-18,772
Depreciation, impairment and revaluation losses of non-current assets	0	0	0	0	10,104	0	10,104	-10,104	0
Excess of depreciation charged to HRA over MRA	0	3,612	0	0	0	1,575	5,187	-5,187	0
Movements in the fair value of investment properties	0	0	0	0	2,029	0	2,029	-2,029	0
Capital grants and contributions credited to the CI&E Statement	0	0	0	177	-177	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	0	0	1	0	1	-1	0
Net gain or loss on sale or derecognition of non-current assets	1,996	0	0	0	-445	-323	1,228	-1,228	0
Transfer to/from Deferred Capital Receipts	2	0	0	0	32	0	34	-34	0
under pension scheme regulations	0	0	0	0	1,894	-111	1,783	-1,783	0
is different to amount taken to GF in accordance with regulations	0	0	0	0	-136	0	-136	136	0
with regulations	0	0	0	0	-37	0	-37	37	0
Statutory Provision for repayment of Principal	0	0	0	0	-654	0	-654	654	0
Capital expenditure charged to the General Fund/HRA Balances	0	0	0	0	-1,705	0	-1,705	1,705	0
payable to Housing Receipts Pool	-513	0	0	0	513	0	0	0	0
Usable Reserves Used to Finance Capital Expenditure	-1	-3,217	0	-211	0	0	-3,429	3,429	0
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	1,484	395	0	-34	140	3,538	5,523	-24,295	-18,772
Transfers to/from Earmarked Reserves	0	0	576	0	-576	0	0	0	0
Increase /Decrease (-) in year	1,484	395	576	-34	-436	3,538	5,523	-24,295	-18,772
Balance at 31 March 2013 carried forward	2,630	838	17,551	956	3,942	10,723	36,640	81,628	118,268

HARROGATE BOROUGH COUNCIL
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	2013/14 Expenditure	2013/14 Income	2013/14 Net Cost	2012/13 Expenditure £'000 Restated	2012/13 Income £'000 Restated	2012/13 Net Cost £'000 Restated
Central Services to the Public	4,784	3,813	971	12,523	11,602	921
Cultural & Related Services	20,670	12,440	8,230	19,716	11,739	7,977
Cultural Services Revaluation Losses (note 33)	441	0	441	6,903	0	6,903
Environmental and Regulatory Services (note 33)	12,199	4,813	7,386	11,940	4,589	7,351
Planning Services (note 33)	5,276	2,862	2,414	5,338	2,993	2,345
Housing Services - Local Authority Housing (HRA)	10,770	16,891	-6,121	10,973	16,403	-5,430
Housing Services - HRA Revaluation Losses (note 33)	-30	0	-30	1,575	0	1,575
Housing Services – Other Housing Services	34,489	32,726	1,763	34,347	32,856	1,491
Highways & Transport Services	1,923	3,436	-1,513	2,230	3,316	-1,086
Corporate & Democratic Core	3,268	188	3,080	3,356	178	3,178
Non Distributed Costs	719	83	636	305	78	227
Cost of Services	94,509	77,252	17,257	109,206	83,754	25,452
Other Operating Expenditure						
Parish Precepts	601	0	601	631	0	631
Council Tax Support Grants to Parishes	41	0	41	0	0	0
Contribution to Housing Pooled Capital Receipts	639	0	639	513	0	513
Gain(-) or loss on disposal of Non-current assets	0	469	-469	0	703	-703
Other Capital Receipts	0	3	-3	0	1	-1
Financing & Investment Income & Expenditure						
External Interest Payments	1,771	0	1,771	1,853	0	1,853
Net Interest on the Net Defined Benefit Liability (Asset) (note 32)	3,238	0	3,238	3,148	0	3,148
External Interest Income	0	317	-317	0	531	-531
Investment Property Income & Expenditure (note 33)	-346	277	-623	2,038	424	1,614
Taxation and Non Specific Grant Income						
Income from Council Tax	0	13,403	-13,403	0	14,309	-14,309
Capital Grant Income (note 24)	0	1,305	-1,305	0	177	-177
Other Non-ringfenced Government Grants (note 24)	0	1,904	-1,904	0	929	-929
Revenue Support Grant	0	4,914	-4,914	0	146	-146
Non-Domestic Rates Income and Expenditure	20,408	23,083	-2,675	0	7,533	-7,533
Surplus(-) or Deficit on the Provision of Services	120,861	122,927	-2,066	117,389	108,507	8,882
Surplus(-) or Deficit on the Revaluation of Non-current Assets			-1,671			-2,690
Revaluation losses on non-current assets charged to Revaluation Reserve			299			1,813
Remeasurements pension assets/liabilities (note 32)			-49,898			10,767
Other Comprehensive Income & Expenditure			-51,270			9,890
Total Comprehensive Income & Expenditure			-53,336			18,772

HARROGATE BOROUGH COUNCIL
BALANCE SHEET AS AT 31 MARCH 2014

		2014	31 March	
	Note	£'000	2013	2012
			£'000	£'000
Property, Plant & Equipment	10			
Council Dwellings		145,529	144,035	146,669
Other Land & Buildings		54,903	55,973	63,966
Vehicles, Plant & Equipment		6,812	6,144	5,854
Infrastructure Assets		1,223	1,598	1,919
Community Assets		1,777	1,925	1,817
Surplus Assets		606	613	585
		210,850	210,288	220,810
Heritage Assets	11	35,893	35,067	34,238
Investment Property	12	7,334	6,960	9,664
Intangible Assets	13	0	0	51
Long Term Debtors				
Housing Loans	14	685	718	753
Mortgages	14	1	8	7
		686	726	760
Long Term Assets		254,763	253,041	265,523
Short Term Investments	14	21,155	10,243	10,184
Inventories	15	182	176	198
Short Term Debtors	16	4,114	3,658	3,522
Cash & Cash Equivalents				
Cash In Hand/At Bank		20	19	1,772
Cash Equivalents	14	4,150	8,951	4,500
		4,170	8,970	6,272
Current Assets		29,621	23,047	20,176
Bank Overdraft		-24	-102	0
Short Term Borrowing	14	-8,027	-30	-2,091
Short Term Creditors	17	-10,924	-9,624	-11,344
Provisions	18	-1,569	-905	-855
Grants Receipts In Advance (Revenue)	24	-1,280	-1,192	-945
Current Liabilities		-21,824	-11,853	-15,235
Long Term Borrowing	14	-60,093	-68,096	-68,103
Other Long Term Liabilities				
Pensions Liability	29	-30,863	-77,871	-65,321
Long Term Liabilities		-90,956	-145,967	-133,424
Net Assets		171,604	118,268	137,040
Usable Reserves (Page 30)				
Usable Capital Receipts Reserve		3,030	2,630	1,146
Major Repairs Reserve		77	838	443
Earmarked Reserves	9	16,561	17,551	16,975
Capital Grants Unapplied Account		1,064	956	990
Working Balances:				
General Fund		5,214	3,942	4,378
HRA		15,043	10,723	7,185
Unusable Reserves				
Revaluation Reserve	19	38,560	37,530	36,964
Capital Adjustment Account	19	123,047	121,670	134,119
Deferred Capital Receipts	19	686	725	760
Pensions Reserve	19	-30,863	-77,871	-65,321
Accumulating Absences Adjustment Account	19	-461	-447	-484
Collection Fund Adjustment Account	19	-354	21	-115
Total Reserves		171,604	118,268	137,040

HARROGATE BOROUGH COUNCIL
CASH FLOW STATEMENT

	2013/14 £'000	2012/13 £'000 Restated
Operating Activities		
Net Surplus (-) or deficit on the provision of services excluding interest transactions:		
External Interest paid	-3,520	7,560
External Interest received	1,771	1,853
	<u>-317</u>	<u>-531</u>
Net Surplus (-) or deficit on the provision of services	-2,066	8,882
Adjust net surplus (-) or deficit for non-cash movements:		
Depreciation and amortisation	-2,812	-2,917
Impairment and downward revaluations	-257	-10,791
Increase(-)/decrease in impairment for bad debts	-520	164
Increase(-)/decrease in other provisions	-664	-49
Increase(-)/decrease in creditors	-1,417	823
Increase/decrease(-) in debtors	977	165
Increase/decrease(-) in inventories	5	-22
Pension Liability – contributions more/less(-) than IAS19 Costs	-2,890	-1,783
Carrying amount of non-current assets sold or derecognised	-677	-1,227
Increase(-)/decrease in Major Repairs Reserve (MRR)	761	-396
Adjust net surplus(-) or deficit for investing activity items:		
Less purchase of property, plant and equipment from MRR	-4,490	-3,217
Proceeds from the sale of non-current assets	1,120	1,995
Less Capital Grants credited to CI&ES	1,305	177
Less other Capital Receipts	-37	-33
	<u>-11,662</u>	<u>-8,229</u>
Net Cash Flows from Operating Activities	-11,662	-8,229
Investing Activities		
Purchase of property, plant & equipment and intangible assets	7,623	5,897
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-1,123	-1,998
Capital grants received	-1,305	-177
Proceeds from (-)/purchase of short term deposits	10,912	60
	<u>16,107</u>	<u>3,782</u>
Net Cash Flows from Investing Activities	16,107	3,782
Financing Activities		
Repayments of long & short term borrowing	7	2,067
Change in net debtors for Council Tax and NNDR income	270	-216
	<u>277</u>	<u>1,851</u>
Net Cash Flows from Financing Activities	277	1,851
Net Increase (-)/decrease in cash & cash equivalents	4,722	-2,596
Cash & Cash Equivalents at the beginning of the reporting period		
Bank overdraft	102	0
Cash at Bank/in hand	-19	-1,772
Cash Equivalents*	-8,951	-4,500
	<u>-8,868</u>	<u>-6,272</u>
Cash & Cash Equivalents at the end of the reporting period		
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>

* 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

1. Accounting Policies

i. General Principles

The Accounts have been prepared in accordance with the 2013/14 Code of Practice on Local Authority Accounting issued in February 2013 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

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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 29a-i on pages 54 to 58.

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 4.5% (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
 - Unlisted 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

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

- 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.

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

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.

Nine sculptures included in this category are also reported at insurance valuations assessed by the Curator of Art in 1996 plus two donated assets at valuation acquired in 2009 and 2013.

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 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's 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, it is not possible to acquire up to date valuation

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

information at a cost commensurate with the benefit attained. Therefore, the Council recognises these assets on the Balance Sheet at their insurance valuation, which is the expert valuation figure obtained in 1984.

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.

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

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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 53 note 27) 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 53 note 27).

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:

Cost	Basis of Allocation
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 deminimis 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.

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.

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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, 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.

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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 75% 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.

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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 16 page 40), redundancies, energy bills, Carbon Reduction Scheme liabilities 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 18 to the Financial Statements, on page 41.

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 30 and the detailed movements in the year on each of the General Fund earmarked reserves set out in note 9 on page 31.

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 19 to the Financial Statements on page 42.

ix. 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

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refunded VAT balance is credited to External Interest Income in the Comprehensive Income and Expenditure Statement.

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

xxi. Carbon Reduction Commitment Scheme

The Council was required to participate in the introductory phase of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme which ended on the 31 March 2014. The Council is now under the threshold for participation in the next phase of the scheme. The Council was required to purchase and surrender allowances retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy was used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

xxii. 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.

xxiii. 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.

xxiv. 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.

xxv. 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 67).

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 the major preceptors, 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

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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.

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 2013/14 introduced a change in accounting policy in relation to IAS19 which has been adopted in full by the Council and had the following effect on the Council's 2012/13 Accounts.

The amended IAS19 differed from the previous standard in a few key areas which are set out below:

Disclosures

Interest on assets: The expected return on assets is replaced with the interest on assets. This is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.

The pension cost under the new IAS19 will see the interest cost and expected return on assets replaced with the 'net interest cost'. This will be calculated as interest on pension liabilities (substantially the old interest cost) less the interest on assets.

Recognition of actuarial gains and losses:

The new IAS19 guidance requires that all actuarial gains and losses be recognised in the year of occurrence via Other Comprehensive Income. Therefore alternative treatments, where recognition of actuarial gains and losses could be deferred (the 'corridor approach'), will no longer be available.

Also, actuarial gains and losses on liabilities due to the changes in actuarial assumptions need to be split between the effect of changes in financial assumptions and changes in demographic assumptions.

Minor Technical Issues

There has been some debate on the treatment of some minor areas under the new guidance, and the actuary has set out their proposed treatment of these issues:

Expenses: Administration expenses are now recognised as a separate item within pension cost. Investment expenses are treated as a loss on assets (specifically they are treated as reducing the investment return achieved over the period), and so are recognised via the statement of other comprehensive income.

Interest on the Current Service Cost:

This is now included within the Current Service cost itself, rather than in the interest cost on liabilities. This is a change from the approach previously adopted.

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Terminology Changes:

Interest on Assets: see disclosures above.

Net Interest Cost: Interest on pension liabilities less interest on assets.

Remeasurements (assets): Return on plan assets net of expenses and interest income. Replaced actuarial gains and losses on assets. Any change as a result of reviewing an employer's allocation of assets as at an actuarial valuation are also included within remeasurements.

Remeasurements (liabilities): Replaced actuarial gains and losses on liabilities and in most circumstances was the same as actuarial gains and losses on liabilities under previous guidance.

Impact of amendments to IAS19 on the 2012/13 Financial Statements:

Comprehensive Income and Expenditure Statement	2012/13	2012/13	
	£'000	£'000	£'000
	Published	2013/14	
	Accounts	Accounts	change
Net Cost of Services:			
Current Service cost	3,793	3,886	93
Past Service/curtailment costs	191	191	0
Financing & Investment Income & Expenditure:			
Pensions Interest Costs/Return on Pensions Assets now replaced by:	2,443	0	0
Net Interest on the Net Defined Liability	0	3,067	624
Administration expenses	0	81	81
Net charge to the Surplus(-) or Deficit on the Provision of Services	6,427	7,225	798
Movement in Reserves Statement - General Fund Balance			
Reversal of net charges made for retirement Benefits in accordance with IAS19	-6,427	-7,225	-798

In addition to the above recognised gains and losses in the CI&ES, Remeasurements (liabilities & assets) of £10,767,000 is now included in other Comprehensive Income & Expenditure compared to the previous actuarial losses of £11,565,000, a decrease of £798,000. The actual return on plan assets is now £17,898,000 compared to £17,817,000 an increase of £81,000.

The Council also adopted the amendments to IAS 1 on Presentation of Financial Statements, to IAS12 on Income Taxes and IFRS 7 on Financial Instruments: Disclosures, however none of these have a material impact on the Council's accounts for 2013/14 or require a restatement of the 2012/13 statements.

3. Accounting Standards Issued but not yet Adopted

The Code for the 2014/15 accounts requires the Council to adopt amendments made in 2011 to the following accounting standards: IFRS10, IFRS11, IFRS12, IAS 27, IAS 28 and IAS 32, from the 1 April 2014. None of these are expected to have a material impact on the Council's Accounts or require a restatement of the 2013/14 financial statements.

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4. Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in note 1(i) – (xxv) 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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are:

	Uncertainties	Effect if Actual Results Differ from Assumptions
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.
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 £4m. 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.

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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 22 September 2014 have been considered and there are no Post Reporting Period Event 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 authority 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 funding 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.

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9. Total Movement on General Fund Earmarked Reserves

	1 April 2013 £'000	Transfers In 2013/14 £'000	Transfers Out 2013/14 £'000	31 March 2014 £'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
Total 2013/14	17,551	4,732	5,722	16,561

	1 April 2012 £'000	Transfers In 2012/13 £'000	Transfers Out 2012/13 £'000	31 March 2013 £'000
Capital Reserves	4,133	562	454	4,241
Business Unit Reserves	3,219	1,037	1,010	3,246
Computer Reserve	984	524	579	929
Insurance Reserve	698	211	189	720
Corporate Projects Reserve	782	197	136	843
Pension Funding Reserve	425	79	10	494
Vehicle Reserve	955	707	766	896
Nidderdale & Ripon Pool Reserves	700	227	0	927
Innovate Reserve	332	245	199	378
Council Tax/Housing Benefit Reserve	587	166	58	695
Bereavement Investment Reserve	462	168	199	431
Culture Investment Reserves	824	239	201	862
Other Earmarked Reserves	2,874	747	732	2,889
Total 2012/13	16,975	5,109	4,533	17,551

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

The Pension Funding, Corporate Projects and Innovate Reserves have been set up to fund any future costs of early retirements, costs that may arise from corporate restructuring reviews and introduction of innovative 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.

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10. Property, Plant & Equipment (PP&E)
a) Movement on Balances 2013/14

Property, Plant and Equipment							
	Council Dwellings	Other Land & Building	Vehicle Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
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 RR*	1	580	-35	0	0	0	546
Revaluation Increases/decreases (-) to SDPS**	-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	<u>145,529</u>	<u>56,965</u>	<u>13,877</u>	<u>4,925</u>	<u>1,777</u>	<u>620</u>	<u>223,693</u>
Depreciation and Impairment							
1 April 2013	0	-1,397	-7,372	0	-3,178	-7	-11,954
Depreciation Charge to SDPS**	-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 RR*	0	0	0	0	0	0	0
Impairment Losses/reversal to SDPS**	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	<u>0</u>	<u>-2,062</u>	<u>-7,065</u>	<u>0</u>	<u>-3,702</u>	<u>-14</u>	<u>-12,843</u>
Net Book Value at 31 March 2014	<u>145,529</u>	<u>54,903</u>	<u>6,812</u>	<u>1,223</u>	<u>1,777</u>	<u>606</u>	<u>210,850</u>
Net Book Value at 31 March 2013	144,035	55,973	6,144	0	1,598	613	210,288

*RR = Revaluation Reserve

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

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

10. Property, Plant & Equipment (PP&E)
b) Movement on Balances 2012/13

	Property, Plant and Equipment						
	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
1 April 2012	146,669	65,431	12,721	4,566	1,817	585	231,789
Additions	3,217	116	1,572	210	108	0	5,223
Donations							0
Revaluation Increases/decreases (-) to RR*	-252	212	88	0	0	0	48
Revaluation Increases/decreases (-) to SDPS**	-5,092	-8,354	-173	0	0	0	-13,619
Derecognition – Disposals	-507	0	-692	0	0	0	-1,199
Derecognition – Other							0
Reclassifications	0	-35	0	0	0	35	0
31 March 2013	<u>144,035</u>	<u>57,370</u>	<u>13,516</u>	<u>4,776</u>	<u>1,925</u>	<u>620</u>	<u>222,242</u>
Depreciation and Impairment	0						
	0						
1 April 2012	0	-1,465	-6,867	-2,647	0	0	-10,979
Depreciation Charge to SDPS**	-3,496	-1,142	-1,303	-531	0	-7	-6,479
Depreciation charge written out on revaluation	3,484	1,210	163	0	0	0	4,857
Impairment Losses/reversal to RR*		0	0	0	0	0	0
Impairment Losses/reversal to SDPS**		0	0	0	0	0	0
Derecognition – Disposals	12	0	635	0	0	0	647
Derecognition – Other	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
31 March 2013	<u>0</u>	<u>-1,397</u>	<u>-7,372</u>	<u>-3,178</u>	<u>0</u>	<u>-7</u>	<u>-11,954</u>
Net Book Value at 31 March 2013	<u>144,035</u>	<u>55,973</u>	<u>6,144</u>	<u>1,598</u>	<u>1,925</u>	<u>613</u>	<u>210,288</u>
Net Book Value at 31 March 2012	<u>146,669</u>	<u>63,966</u>	<u>5,854</u>	<u>1,919</u>	<u>1,817</u>	<u>585</u>	<u>220,810</u>

*RR = Revaluation Reserve

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

HARROGATE BOROUGH COUNCIL
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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 2014/15 of £5.8m (plus expenditure carried forward from 2013/14). Part of this is contractually committed at 31 March 2014, significant commitments of £0.2m being for the Vehicle Replacement Programme (£1.3m 31 March 2013 for the Alternate Weekly Collection Scheme).

e) Effects of changes in Estimates

There were no material charges in the 2013/14 accounts resulting from changes in estimates for Property Plant and Equipment.

f) Revaluations

During the year all Council dwellings and approximately one fifth of other Council properties were revalued in accordance with the capital accounting rules, as part of the Council's five year rolling programme of valuations. All assets were reviewed for evidence of impairment at 31 March. The effective date for these revaluations was 31 March 2014, 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, Chris Bellamy Bsc (Hons) MRICS, Susan Beaumont BSc (Hons) MRICS, Emma Guy BSc (Hons) MRICS and Joseph Higgins BSc (Hons) MRICS. Council dwellings and Conference & Exhibition properties were valued by external valuers Mouchel, Farms were valued by external valuers Windle Beech Winthrop Ltd and Victoria Gardens 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
Valued at Historic Cost	0	0	4,610	1,223
Valued at current value in:				
2009/10	0	2,386	92	0
2010/11	0	16,597	1	0
2011/12	0	12,359	0	0
2012/13	0	16,601	404	0
2013/14	145,529	6,960	1,705	0
Total	<u>145,529</u>	<u>54,903</u>	<u>6,812</u>	<u>1,223</u>
	Community Assets	Surplus Assets	Total Property Plant & Equipment	
	£'000	£'000	£'000	
Valued at Historic Cost	1,777	0	7,610	
Valued at current value in:				
2009/10	0	0	2,478	
2010/11	0	0	16,598	
2011/12	0	606	12,965	
2012/13	0	0	17,005	
2013/14	0	0	154,194	
Total	<u>1,777</u>	<u>606</u>	<u>210,850</u>	

HARROGATE BOROUGH COUNCIL
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The categories of assets which had their normal 5 year review of their valuations included Conference & Exhibition properties, Public Gardens, Valley Gardens Estate, Waterside & Castle Gardens and Markets. Revaluation losses on these assets totalled £0.8m but £0.1m of this was met from previous revaluation gains leaving £0.7m to be written off to service revenue accounts. This included £0.2m for the Sun Pavilion included in Cultural Services and £0.2m for Ripon and Knaresborough markets included in Planning Services, both of these are due to a reduction in forecast profits since the last revaluation.

There is also a revaluation loss of £0.2m for Knaresborough Castle where previous years' capital spending was treated as spending on a Community Asset. As this is a leased asset these costs should have been charged to revenue in the year the expenditure took place and not included in the balance sheet. This write off is also included in Cultural Services.

The annual desktop revaluation of Council Dwellings and other HRA properties resulted in a reversal of previous revaluation losses of £30k, reflecting the current housing market, being 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
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					
1 April 2012	8,335	213	1,656	24,034	34,238
Additions	0	0	0	0	0
Donations	0	0	0	0	0
Revaluation Increases/ decreases (-) to RR*	14	44	50	721	829
31 March 2013	8,349	257	1,706	24,755	35,067

***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 2013/14 by the Curator of Art for acquisitions since that date. Purchases being at cost, and donations at valuation, and the movements are shown as revaluation increases 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 19th 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

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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 18th 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 19th and 20th centuries. It includes a collection of costumes and textiles valued at £54,000 that includes many fine examples of mainly 19th century and early 20th 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 eight sculptures that have been included in the Museum and Art Exhibits category at their insurance valuation of £247,000. 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 and the Pineheath Sculpture with an estimated value of £7,000 in 2013. These sculptures are on public display at various locations in Harrogate and Knaresborough. 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.

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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, and in 2012, 2013, and 2014 (Ogden of Harrogate).

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, 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. Due to the large volume and diverse nature of these items, they are not individually valued, but are included on the Balance Sheet at their combined insurance valuation of £84,750.

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 £1,757,000. 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 £361,000), the Queen Victoria monument in Harrogate town centre (£303,000) and the obelisk in Ripon Market Place (£282,000).

The increase in valuation in 2013/14 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 £25,498,000 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.

HARROGATE BOROUGH COUNCIL
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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.

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

Small revenue purchases of fine art items in 2013/14 have been reflected in the increased insurance valuation and shown as revaluations in the year. They are de minimis for capital expenditure purposes as each item cost less than £5k and so do not show in the additions line. There was one purchase in 2011/12, of a painting by William Powell Frith entitled 'Poor Maria' for £12,000.

There were no material purchases of Heritage Assets in 2012/13 or the two years prior to March 2011.

12. Investment Property

The Council received rental income of £257k from investment property in 2013/14 (£327k in 2012/13) and direct operating expenses amounted to £29k (£10k in 2012/13). As part of the asset revaluation process in 2013/14 the Council's Internal Valuers have reviewed all 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 2012/13 and 2013/14 is set out below:

	2013/14	2012/13
	£'000	£'000
Fair Value		
1 April	6,960	9,664
Disposals	0	-675
Net gains or losses(-) from fair value adjustments	374	-2,029
31 March	<u>7,334</u>	<u>6,960</u>

13. Intangible Assets

The Council had no material intangible assets at 31 March 2014. A software licence agreement covering a period of three year purchased mid-year in 2010/11, carried at cost was fully amortised to the net cost of services over its three year life on a straight line basis to 31 March 2013. A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2012/13 and 2013/14 is set out below:

	2013/14	2012/13
	£'000	£'000
Cost		
1 April	323	323
Written off in year	-323	0
	0	323
Accumulated Amortisation		
1 April	-323	-272
Amortisation charge for year to cost of services	0	-51
Written off in year	323	0
31 March	0	-323
Net Book Value at 31 March	<u>0</u>	<u>0</u>

HARROGATE BOROUGH COUNCIL
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14. Financial Instruments

a) Categories for Financial Instruments

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

	31 March			
	Long Term	Current	Long Term	Current
	2014	2014	2013	2013
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables at amortised cost:				
Short Term Investments	0	21,155	0	10,243
Cash Equivalents	0	4,150	0	8,951
Total included in investments	0	25,305	0	19,194
Debtors				
Loans and Receivables	686	0	726	0
Financial Assets carried at contract amounts	0	3,058	0	2,920
Total included in debtors	686	3,058	726	2,920
Borrowings				
Financial Liabilities at amortised cost	60,093	8,027	68,096	30
Total included in borrowings	60,093	8,027	68,096	30
Creditors				
Financial Liabilities carried at contract amounts	0	8,175	0	7,420
Total included in creditors	0	8,175	0	7,420

b) Income, Expense, Gains and Losses

Interest income of £317k (£520k 2012/13) on loans and receivables and interest expense of £1,771k (£1,853k 2012/13) 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 (£1,333k net expense in 2012/13).

c) Fair Value of Financial Assets and Liabilities

	31 March			
	Carrying	Fair Value	Carrying	Fair Value
	Amount	2014	Amount	2013
	2014	2014	2013	2013
	£'000	£'000	£'000	£'000
Financial Liabilities at amortised cost	68,120	68,692	68,126	73,407
Loans and Receivables at amortised cost	25,305	25,305	19,194	19,194

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 2013/14 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.

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15. Inventories

	31 March	
	2014	2013
	£'000	£'000
Fuel	20	19
Other Consumables	121	119
Items for Sale	41	38
	<u>182</u>	<u>176</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.

16. 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	
	2014	2013
	£'000	£'000
Central Government Bodies	535	804
Public Corporations	9	0
Other Local Authorities	940	369
Other entities and individuals	1,659	1,853
<i>Impairment Allowance</i>	-85	-106
	<u>1,574</u>	<u>1,747</u>
Payments in Advance	565	552
Total Customer Debtors	<u>3,623</u>	<u>3,472</u>
NDR/Council Taxpayers	1,180	377
<i>Impairment Allowance</i>	-706	-223
	<u>474</u>	<u>154</u>
Housing Rents	158	115
<i>Impairment Allowance</i>	-141	-83
	<u>17</u>	<u>32</u>
Total Statutory Debtors	<u>491</u>	<u>186</u>
Net Debtors	4,114	3,658
Total Impairment Allowance	-932	-412

At 31 March 2014 Government bodies owed £0.2m more for VAT and Small Business Rate Relief Grant and £0.5m less for Housing Benefit Subsidy than at 31 March 2013.

A change in the accounting treatment of on street parking income and expenditure has resulted in an increase of £0.5m in amounts due from North Yorkshire County Council for on street parking expenditure but there is a corresponding increase in the amounts owed to NYCC for on street parking income included in other local authority creditors (note 17).

Under the new Business Rate Retention Scheme Statutory Debtors at 31 March 2014 included the Council's share (40%) of Business Ratepayers debtors (NDR) £0.8m less the impairment allowance for these debtors £0.5m. These debtors were all Government debtors at 31 March 2013 under the previous business rate regulations.

At 31 March 2013 the Council was owed £0.1m from Municipal Mutual Insurance for a claim, previously paid by the Council, which has now been reimbursed.

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17. Creditors

	31 March	
	2014	2013
	£'000	£'000
Central Government Bodies	1,470	2,410
Other Local Authorities	2,945	1,669
Housing Rents	187	168
NDR/Council Taxpayers	66	0
Other entities and individuals	3,761	3,341
Receipts in Advance (Non-Grant Income)	2,495	2,036
Total	<u>10,924</u>	<u>9,624</u>

At the 31 March 2014 the Council owed the Government £0.9m for Business Rates collected on an agency basis but not yet paid over, whereas the figure at 31 March 2013 was £1.6m. Under the Business Rate Retention scheme the Government's share of the Business rates net creditor position is just 50% rather than the previous 100%. The net amount due to the Government for VAT, National Insurance and Tax was £0.2m lower than at 31 March 2013.

The Council also owed £0.9m for Business Rates (NDR) and Council Tax collected on an agency basis to other local authorities where the previous year this was £0.4m. The levy due to Leeds City Region Business Rate Pool at 31 March 14 was £0.2m and was nil at 31 March 2013.

Receipts in advance included £0.3m being the Council 40% share of Business Rates payments in advance under the new Business Rate Retention Scheme introduced on the 1 April 2013. Receipts in advance for Conference and Exhibition lettings were up £0.1m on the previous year.

18. Provisions

	1 April 2013	Additional Provision In Year	Used In Year	Released In Year	31 March 2014
	£'000	£'000	£'000	£'000	£'000
NDR Appeals	0	695	0	0	695
Insurance Liabilities	355	173	169	178	181
Energy Bill Provision	268	0	152	0	116
Redundancy Provision	114	388	108	6	388
Other	168	134	96	17	189
Total 2013/14	<u>905</u>	<u>1,390</u>	<u>525</u>	<u>201</u>	<u>1,569</u>
Total 2012/13	855	405	339	16	905

Under the Business Rate Retention Scheme introduced on 1 April 2013, the Council now has to make provision against its estimated liability for possible successful appeals against non-domestic rate(NDR) bills issued in 2013/14 and prior years. Payment from the provision will depend on the final settlement of these appeals by the Valuation Office, some appeals can take a number of years to resolve.

The Council is self-insured up to £50,000 per claim for public liability claims. Any claims beyond £50,000 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 £100,000 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

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estimated liability under the scheme of arrangement with the Council's former insurer Municipal Mutual Insurance (MMI) for claims relating to pre-1993 policies.

The provision for Energy Bills relates to a number of outstanding invoices from utility companies for electricity used at some car parks and for street lighting. These are expected to be settled within a year depending on the receipt of outstanding invoices from Energy Companies.

The Redundancy Provision was used to meet the liabilities arising from redundancies in 2013/14 that had been negotiated in 2012/13. New provision has been made for redundancies negotiated in 2013/14 which will be paid in 2014/15.

19. Total Movement on Unusable Reserves

	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
Total 2013/14	81,628	51,270	-2,283	130,615
	1 April 2012	Gains/ Losses(-) in year	Transfers Between Reserves	31 March 2013
	£'000	£'000	£'000	£'000
Revaluation Reserve	36,964	877	-311	37,530
Capital Adjustment Account	134,119	0	-12,449	121,670
Deferred Capital Receipts	760	0	-35	725
Pension Reserve	-65,321	-10,767	-1,783	-77,871
Accumulating Absences Adjustment Account	-484	0	37	-447
Collection Fund Adjustment Account	-115	0	136	21
Total 2012/13 Restated	105,923	-9,890	-14,405	81,628

The detailed movements in the year on these reserves are set out below.

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
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	2013/14 £'000	2012/13 £'000
Balance at 1 April	37,530	36,964
Upward Revaluation of Assets	1,671	2,690
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-299	-1,813
Surplus or Deficit on revaluation of non-current assets not charged to the Surplus/Deficit on the Provision of Services	<u>1,372</u>	<u>877</u>
Difference between fair value depreciation and historical cost depreciation	-324	-311
Accumulated gains on assets sold	-18	0
Amount written off to Capital Adjustment Account	<u>-342</u>	<u>-311</u>
Balance 31 March	<u>38,560</u>	<u>37,530</u>

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.

	2013/14 £'000	2012/13 £'000
Balance 1 April	121,670	134,119
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	-6,541	-6,529
Revaluation losses on Property, Plant & Equipment	-732	-8,871
Reversal Revaluation Losses on Property, Plant & Equipment	101	109
Movement in the market value of Investment Property	374	-2,029
Revenue Expenditure Funded from Capital Under Statute	-83	-1
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal	-677	-1,227
Capital Financing Applied in year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	83	1
Use of Major Repairs Reserve to finance new capital expenditure	4,490	3,217
Capital Grants and Contributions credited to the CI&ES that have been applied to capital financing	1,197	211
Statutory Provision for the repayment of Principal	645	654
Capital expenditure charged against General Fund and HRA balances	2,178	1,705
Adjusting amounts written out of the Revaluation Reserve	<u>342</u>	<u>311</u>
Balance at 31 March	<u>123,047</u>	<u>121,670</u>

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

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).

	2013/14	2012/13
	£'000	£'000
Balance at 1 April	725	760
New Deferred Receipts in year credited to CI&ES	3	1
Transfer to Usable Receipts reserve/GF Balance upon receipt of cash	-42	-36
Balance at 31 March	<u>686</u>	<u>725</u>

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.

	2013/14	2012/13
	£'000	£'000
Balance at 1 April	-77,871	-65,321
Remeasurement gains or losses (-) on pensions assets and liabilities	49,898	-10,767
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the CI&ES	-8,353	-7,225
Employer's Pension Contributions payable in the year	5,463	5,442
Balance at 31 March	<u>-30,863</u>	<u>-77,871</u>

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

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.

	2013/14	2012/13
	£'000	£'000
Balance at 1 April	-447	-484
Reversal of accrual made at the end of the preceding year	447	484
Amounts accrued at the end of the current year	-461	-447
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	-14	37
Balance at 31 March	-461	-447

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.

	2013/14	2012/13
	£'000	£'000
Balance at 1 April	21	-115
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	58	136
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	-433	0
Balance at 31 March	-354	21

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

20. 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 2014 – reported by Portfolio

	Leader	Resources	Public Protection & Rural Affairs	Environment	Planning, Transport and ED	Cultural Services	Housing General Fund Services	Housing Revenue Account	2013-14 Total All Portfolios
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income									
Government Grants	5	895	0	0	242	719	32,480	0	34,341
Fees, Charges & Other Service Income	5,085	2,723	2,647	2,332	6,315	6,672	246	16,891	42,911
Service Income	5,090	3,618	2,647	2,332	6,557	7,391	32,726	16,891	77,252
Employees	2,834	4,200	1,874	3,785	3,147	6,957	-12	1,468	24,253
Other Service Expenditure	3,995	2,086	1,156	2,553	2,654	5,237	33,672	3,929	55,282
Support Service Recharges	450	1,117	532	1,041	1,108	1,455	823	1,702	8,228
Depreciation, Amortisation and Impairment	237	110	304	853	225	1,311	6	3,700	6,746
Service Spending	7,516	7,513	3,866	8,232	7,134	14,960	34,489	10,799	94,509
Net Cost of Services	2,426	3,895	1,219	5,900	577	7,569	1,763	-6,092	*17,257

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

Total Income	77,252	45,675	122,927
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Total Expenditure	94,509	26,352	120,861
Surplus(-)/Deficit on Provision of Services	17,257	-19,323	-2,066

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

Service Information for the year ended 31 March 2013 – reported by Portfolio, restated for amendments to IAS 19

	Leader £'000	Resources £'000	Public Protection & Rural Affairs £'000	Environment £'000	Planning, Transport and ED £'000	Cultural Services £'000	Housing General Fund Services £'000	Housing Revenue Account £'000	2012/13 Total All Portfolios £'000
Government Grants	50	8,973	2	0	268	552	32,635	0	42,480
Fees, Charges & Other Service Income	4,994	2,505	2,696	2,073	6,185	6,196	222	16,403	41,274
Service Income	5,044	11,478	2,698	2,073	6,453	6,748	32,857	16,403	83,754
Employees	2,967	3,625	1,819	3,624	3,590	6,735	-55	1,075	23,380
Other Service Expenditure	3,130	10,244	1,231	2,635	2,647	4,781	33,623	4,257	62,548
Support Service Recharges	739	957	517	1,029	956	1,381	774	2,099	8,452
Amortisation depreciation and Impairment	7,047	112	103	753	506	1,112	6	5,187	14,826
Service Spending	13,883	14,938	3,670	8,041	7,699	14,009	34,348	12,618	109,206
Net Cost of Services	8,839	3,460	972	5,968	1,246	7,261	1,491	-3,785	*25,452

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

Total Income	83,754	24,753	108,507
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Total Expenditure	109,206	8,183	117,389
Surplus(-)/Deficit on Provision of Services	25,452	-16,570	8,882

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

21. Members' Allowances

Allowances paid in the year amounted to £369,000 in aggregate (£366,000 2012/13).

This comprised:	2013/14	2012/13
	£'000	£'000
Basic Allowances	257	253
Special Responsibility Allowances	84	83
Mayoral Allowance	14	14
Members Car Allowances	14	16
	<u>369</u>	<u>366</u>

22. Employees' earnings

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

Remuneration Band	2013/14	2012/13
	Number of Employees	Number of Employees
£50,000 - £54,999	2	3
£55,000 - £59,999	5	7
£60,000 - £64,999	1	2
£65,000 - £69,999	2	2
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	2	3
£85,000 - £89,999	1	1
£90,000 - £94,999	2	0
£95,000 - £99,999	1	0
£100,000 - £104,999	1	0
£105,000 - £109,999	0	0
£110,000 - £114,999	1	1
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
	<u>18</u>	<u>19</u>

- 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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
£0 - £20,000	2	2	0	6	2	8	28	63
£20,001 - £40,000	3	0	0	3	3	3	90	79
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	1	0	0	0	1	0	125	0
£150,001 - £200,000	2	0	0	0	2	0	314	0
Total	8	2	0	9	8	11	557	142

- c) For details of Senior Officers whose remuneration was £50,000 or more see the table on page 49.

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

22 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
2013/14					
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
Head of Financial Management (see Note 3)	68,642	68	68,710	8,443	77,153
Director, ICT	99,563	151	99,714		198,294
				98,580	

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.

2012/13

Chief Executive (see Note 1)	111,020	1,267	112,287	13,213	125,500
Director, HIC (see Note 2)	16,252	252	16,504	1,958	18,462
Director of Resources	87,151	1,280	88,431	9,814	98,245
Director of Community Services	82,886	1,247	84,133	10,195	94,328
Director of Development Services	82,886	1,266	84,152	10,195	94,347
Assistant Chief Executive	68,642	1,249	69,891	8,443	78,334
Director, ICT	68,642	1,278	69,920	8,443	78,363
Acting Director, HIC (See Note 3)	80,784	0	80,784	9,936	90,720

Note 1: The Chief Executive's salary for 2012/13 includes Returning Officer Fees of £2,300.

Note 2: The Director, HIC post was occupied until 1 June 2012. The annualised salary for 2012/13 was £93,951.

Note 3: Acting Director, HIC commenced on 2 June 2012. The annualised salary for 2012/13 was £84,754.

**HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

23. External Audit Costs

	2013/14	2012/13
	£'000	£'000
The following amounts were payable to the external auditors in the year:		
Fees for External Audit Services	67	67
Fees for Certifying Grant Claims	25	24
Audit Commission rebate re 2012/13 audit fees	-9	0
	83	91

24. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14

	2013/14	2012/13
	£'000	£'000
Credited to Taxation and Non Specific Grant Income:		
Government Capital Grants		
Department of Communities and Local Government (Housing Grants)	-19	19
Other Capital Grants		
Developers Section 106 contributions (Play Areas)	1,324	158
	1,305	177
Other Government non-ringfenced grants		
New Homes Bonus Grant	825	575
Small Business Rate Relief Grant	863	0
Council Tax Freeze Grant	139	341
Other Small Grants - New Burdens Grants etc	77	13
	1,904	929
Credited to Services:		
Capital Grants to Finance Revenue Expenditure Funded by Capital under Statute		
Government Grants		
Department for Communities and Local Government (Housing Grants)	258	304
	258	304
Specific Revenue Grants		
Government Grants		
Department for Work and Pensions Grants:		
Housing Rent Allowances	23,289	23,186
Housing Rent Rebates	8,884	9,023
Council Tax Benefit	1	8,022
Administration/Anti-Fraud	796	947
Department for Communities and Local Government:		
(Council Tax scheme transition funding, Housing & Planning Services)	146	139
Lottery Grants (Cultural & Heritage Services)	758	576
Natural England (AONB, Planning Services)	202	219
Other Grants (Cabinet Office, Environment Agency, FSA, LGA, English Heritage)	7	63
	34,083	42,175
Non-Government Grants		
NYCC (Community Safety, Housing Services, AONB and Cultural Services)	214	213
NYPCC (Community Safety)	60	0
Other Grants (Housing, Planning & Cultural Services)	66	83
	340	296
Total Grants and Contributions	37,890	43,881

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

24. Grant Income (Continued)

Balance Sheet Debtors and Receipts in Advance for Grant Income

At 31 March 2014 Government Bodies debtors on the Balance Sheet includes £241k for grants due in 2013/14 but not paid (£614k 2012/13), £131k being for Small Business Rate Relief Grant (£0k 2012/13), £86k (£107k 2012/13) for Natural England (Nidderdale AONB) and £24k (£24k 2012/13) for the Environment Agency (Community Resilience). The 31 March 2013 figure included £483k due from the Government for Rent Allowances

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 2014	31 March 2013
	£'000	£'000
Grants Receipts in Advance (Revenue Grants)		
Sport England Grant (Cultural Services)	526	522
North Yorkshire County Council (Parking Services)	480	480
DWP Housing Benefit Grant	184	122
Lottery Grant (Planning Services)	40	0
Other Small Grants (DCLG,DWP,Cabinet Office,NYCC)	50	68
	<u>1,280</u>	<u>1,192</u>

25. 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 20 and 24. In 2013/14 the Council also had to pay £90,500 (£93,000 2012/13) to the Government for amounts due under the Carbon Reduction Commitment Scheme relating to energy consumption in 2012/13 which had been provided for in 2012/13. A provision of £93,000 (£93,000 2012/13) has also been made for the estimated amount due under the Scheme for 2013/14 which will be paid over in 2014/15 and will be the last payment that the Council will make under the scheme.

North Yorkshire County Council (NYCC) also exerts its influence through the provision of grants for various purposes (see note 24). In addition, the Council provides the following services on an agency basis to NYCC; the Council collected £2,906,000 of on-street parking income in 2013/14 (£2,357,000 2012/13) and after deduction of related costs of £799,000 (£871,000 2012/13), the balance of £2,107,000 (£1,486,000 2012/13) was paid to NYCC in four quarterly instalments. NYCC were charged £106,000 (£142,000 2012/13) for Grounds Maintenance works, paid £373,000 (£402,000 2012/13) towards Housing Services lifelines and sheltered housing costs under the Supporting People Scheme, and £95,000 (£95,000 2012/13) towards Community Safety expenditure. They were paid routine rentals of £115,000 (£114,000 2012/13) for schools under Joint Use Agreements, £12,000 (£28,000 2012/13) from North Yorkshire Sport, both of these being for Sport and Leisure Activities, a contribution of £13,000 (£25,000 2012/13) towards Homeless Initiatives and £90,000 (£0 2012/13) towards the Tour De France hosting fee.

In addition to a Community Safety Grant (see note 24), the North Yorkshire Police and Crime Commissioner also paid £32,000 (£38,000 2012/13) towards Community Safety Partnership expenditure. Grants totalling £32,000 (£38,000 2012/13) were paid to Parish Councils towards the cost of Grounds Maintenance, provision of Tourist Information Services and Community Projects, rental income of £23,000 (£10,000 2012/13) was received for recreation areas and properties leased to Parish Councils and £4,000 for the cost of parish street lighting works (£0 2012/13).

There were advances of £31,000 (£0 2012/13) for car loans made to chief officers in the year under their conditions of service. Repayments of car loans were £3,000 (£12,000 2012/13), leaving a balance of £28,000 (£0 2012/13) 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

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

the accounts. This is on the basis of individual questionnaires returned by all senior officers, councillors and former councillors.

26. Capital Expenditure and Capital Financing

	2013/14			2012/13
	General Fund	Housing Revenue Account	Total	
	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement	17,360	75,756	93,116	93,679
Capital Expenditure				
Property, Plant & Equipment	2,326	5,539	7,865	5,223
Heritage Assets	0	0	0	0
Revenue Expenditure Funded from Capital under Statute (included in the surplus on the Comprehensive Income & Expenditure Account)	341	0	341	306
	2,667	5,539	8,206	5,529
Sources of Finance				
Capital Receipts	-83	0	-83	-1
Grants and Contributions	-406	-1,049	-1,455	-515
Revenue	-2,178	0	-2,178	-1,705
Major Repairs Reserve	0	-4,490	-4,490	-3,217
	-2,667	-5,539	-8,206	-5,438
Minimum Revenue Provision/set aside receipts	-645	0	-645	-654
Closing Capital Financing Requirement	16,715	75,756	92,471	93,116
Explanation of movement in year				
Prudential Borrowing	0	0	0	91
Borrowing for HRA Self-financing	0	0	0	0
Payment				
Debt repayment	-645	0	-645	-654
Increase / Decrease (-) in Capital Financing Requirement	-645	0	-645	-563
			2013/14	2012/13
Main Items of Capital Expenditure			£'000	£'000
Improvements to Council Dwellings			5,539	3,217
New Recycling Vehicles and Plant			1,678	948
Vehicle and Plant Replacement			322	406
Private Sector Improvement Grants/Loans			341	306
Open Space and Play Area Improvements			149	210
Computer Investment			69	197
Ripon Cemetery Extension			30	108
Relining of Cremator			31	0
Portable Waste Compactor			24	0
Multi-Functional Devices			23	0
Valley Gardens Pavilion			0	116
Mechanical Cremator Charger			0	21
			8,206	5,529

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

27. Operating Leasing Payments and Commitments

Authority as Lessee:

Operating Leases (for land and buildings)

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

	2013/14	2012/13
	£'000	£'000
Minimum lease payments	94	96
Contingent rents	13	11
	<u>107</u>	<u>107</u>

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

	31 March	31 March
	2014	2013
	£'000	£'000
Not later than one year	46	57
Later than one year and not later than five years	21	28
Later than five years	56	61
	<u>123</u>	<u>146</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 £875,000 (£828,000 in 2012/13).

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

	31 March	31 March
	2014	2013
	£'000	£'000
Not later than one year	558	496
Later than one year and not later than five years	1,134	937
Later than five years	11,266	10,761
	<u>12,958</u>	<u>12,194</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 2013/14 £246,000 of contingent rents were receivable (£284,000 in 2012/13).

28. Termination Benefits

During 2013/14, a total of 8 exit packages were agreed (11 2012/13), with an associated liability of £557k (£142k 2012/13) - see note 22 (b) for the number of exit packages and total cost per band. The payments are due to officers from a range of services across the Council, including four Heads of Service, whose redundancies resulted from a review of the senior management structure. Of the £557k (£142k 2012/13) payable, £169k was paid out during 2013/14 (£34k 2012/13), with a provision being created for the remaining £388k to be paid in 2014/15 (£108k in 2012/13 to be paid in 2013/14).

**HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

29. 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 offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme. This is a funded, defined benefit final salary scheme administered by North Yorkshire County Council. This means that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with investment assets.

The North Yorkshire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions fund committee of North Yorkshire County Council. Policy is determined in accordance with Pension 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 result from longevity assumptions, statutory or structural changes (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 cost 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 in the Movement in Reserves Statement, General Fund Balance and Housing Revenue Account Balance. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

	2013/14	2012/13
	£'000	£'000
Comprehensive Income & Expenditure Statement		Restated
<i>Cost of Services:</i>		
<i>Service Cost Comprising:</i>		
Current Service Cost	4,636	3,886
Past Service Cost		
Gain(-)/loss from settlements	479	191
<i>Financing & Investment Income & Expenditure:</i>		
Net interest expense	3,238	3,148
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	8,353	7,225
<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 net interest expense)	15,576	12,536
Experience gain/loss (-)	13,854	0
Gains and losses(-) arising on changes in demographic assumptions	346	-2,066
Gains and losses(-) arising on changes in financial assumptions	20,122	-21,237
	49,898	-10,767
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	58,251	-3,542

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

b) Transactions Relating to Retirement Benefits (continued)

Movement in Reserves Statement	2013/14	2012/13
	£'000	£'000
		Restated
Reversal of net charges made to the Surplus or Deficit on the Provision of Services	-8,353	-7,225
<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>5,463</u>	<u>5,442</u>
Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under pension scheme regulations	<u>-2,890</u>	<u>-1,783</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:

	2013/14	2012/13
	£'000	£'000
		Restated
Present value of the defined benefit obligation	-180,288	-205,860
Fair value of plan assets	<u>149,425</u>	<u>127,989</u>
Net liability arising from defined benefit obligation	<u>-30,863</u>	<u>-77,871</u>

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

	2013/14	2012/13
	£'000	£'000
		Restated
Opening fair value of scheme assets 1 April	127,989	108,709
Interest on plan assets	5,387	5,363
Remeasurement gain/loss (-):		
Return on plan assets, excluding the amount included in the net interest expense	15,576	12,536
Administration expenses	-82	-81
Employer contributions	5,463	5,442
Member contributions	1,295	1,303
Benefits/transfers paid	<u>-6,203</u>	<u>-5,283</u>
Closing fair value of scheme assets 31 March	<u>149,425</u>	<u>127,989</u>

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

	2013/14	2012/13
	£'000	£'000
		Restated
Opening balance 1 April	205,860	174,030
Current service cost	4,636	3,886
Interest cost	8,543	8,430
Member contributions	1,295	1,303
Remeasurement gains(-) and losses:		
Experience gain (-)/loss	-13,854	0
Gains(-) and losses arising on changes in demographic assumptions	-346	2,066
Gains(-) and losses arising on changes in financial assumptions	-20,122	21,237
Past service cost losses/gain(-) on curtailments	479	191
Benefits/transfers paid	<u>-6,203</u>	<u>-5,283</u>
Closing balance 31 March	<u>180,288</u>	<u>205,860</u>

**HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

f) Local Government Pension Scheme assets comprised:

	Quoted Price in Active Market Y/N	Fair Value of Scheme Asset	
		2014 £'000	2013 £'000 Restated
Equity Instruments:			
UK quoted	Y	30,482	22,142
UK quoted (Unitised)	Y	41,092	33,789
Global quoted	Y	24,655	22,142
Emerging Markets	Y	3,885	3,840
		<u>100,114</u>	<u>81,913</u>
Bonds:			
UK Government fixed	Y	7,621	8,831
UK Government indexed	Y	9,862	5,887
Overseas Government fixed	Y	747	2,304
Overseas Government indexed	Y	299	640
UK Corporate (Unitised)	Y	9,862	9,215
Euro Corporate (Unitised)	Y	747	1,792
International Corporate (Unitised)	Y	598	896
		<u>29,736</u>	<u>29,565</u>
Property:			
UK (Unitised)	Y	7,023	4,736
Alternatives:			
Diversified Growth Funds (UK Unitised)	Y	11,805	11,135
Cash and cash equivalents:			
Cash instruments	Y	224	0
Cash accounts	Y	523	512
Net current assets	N	0	128
		<u>747</u>	<u>640</u>
Total		<u>149,425</u>	<u>127,989</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**

g) Basis for Estimating Assets and Liabilities (Continued)

	2013/14	2012/13
The significant assumptions used by the actuary have been:		
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.0%	7.0%
Government Bonds	3.4%	2.8%
Other Bonds	4.3%	3.9%
Property	6.2%	5.7%
Cash/Liquidity	0.5%	0.5%
Alternatives	5.0%	5.0%
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men:	23.0 yrs	22.6 yrs
Women:	25.5 yrs	25.3 yrs
Longevity at 65 for future pensioners		
Men:	25.3 yrs	24.4 yrs
Women:	27.8 yrs	27.2 yrs
Rate of Inflation CPI	2.4%	2.4%
Rate of increase in salaries	3.9%	4.15%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	4.5%	4.2%

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.

	Impact on the Defined Benefit Obligation in the scheme £'000
Longevity (increase by 1 year)	3,419
Rate of inflation (increase by 0.1% per annum)	3,422
Rate of increase in salaries (increase by 0.1% per annum)	839
Rate for discounting scheme liabilities (increase by 0.1% per annum)	-3,358

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 27 years, for Harrogate Council the period to 100% funding is 15 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 will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

29. 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 2015 is £5.5m.

The weighted average duration of the defined benefit obligation for scheme members is 19 years (16 years 2012/13).

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 (67% of scheme assets) and fixed income (20%) 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.

30. Contingent Assets and Contingent Liabilities

There are no contingent assets at 31st March 2014, but there is one contingent liability. A group of property search companies are seeking to claim refunds for fees paid to the Council to access land charges data. Proceedings have not yet been issued. The value of those claims is still being assessed and would include interest and costs. It is possible that additional claimants may come forward to claim refunds, although this is considered to be unlikely. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be.

31. 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 Authority
- Liquidity Risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market Risk – the possibility that financial loss might arise for the Authority 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 Authority 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 authority'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.

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

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

	Amount at 31 March 2014 £'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 2013 £'000
Deposits with Banks and Financial Institutions	25,447	0	0	0	0
Customers: Government and Local Authorities	1,484	0	0	0	0
Other	1,580	3.9	4.9	80	80
				<u>80</u>	<u>80</u>

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

The authority does not generally allow credit for customers, such that £0.9m of the £3.1m balance is past its due date for payment. This amount can be analysed by age as follows:

	31 March 2014 £'000	31 March 2013 £'000
Less than three months	751	734
Three to six months	61	103
Six months to one year	31	43
More than one year	31	38
	<u>874</u>	<u>918</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.

	31 March 2014 £'000	31 March 2013 £'000
The maturity analysis of financial liabilities is:		
Less than one year	8,027	30
1 – 2 years	3	8,003
2 – 5 years	7,012	7,011
5-10 years	15,030	15,027
10-15 years	15,048	15,044
15-20 years	15,033	15,041
20-25 years	7,967	7,970
	<u>68,120</u>	<u>68,126</u>

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

c) Market Risk

Interest Rate risk

The authority 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 authority. For instance a rise in interest rates would have the following effects:

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

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

The authority 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 2013/14 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 2014, would be:

	31 March £'000
Decrease in fair value of fixed rate investment assets (no impact on CI&ES Statement)	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on CI&ES Statement)	5,850

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

d) Price Risk

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

32. IAS19 Retirement Benefits

The cost of retirement benefits included in the net cost of services under IAS19 is £1,128k higher than in 2012/13. Within operational services there is an increase in cost of £750k, based on the latest actuarial assumptions, and £288k 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 increased by £90k. 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 £21k increase in pension contributions charged to the General Fund from 2012/13 to 2013/14.

HARROGATE BOROUGH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

The effect of favourable changes in actuarial assumptions in 2013/14, and results of the 2013 full triennial revaluation are reflected in the remeasurement of pension assets and liabilities line of the Comprehensive Income and Expenditure Statement which showed gains of £49.9m in 2013/14 compared to losses of £10.8m in 2012/13. See page 54, notes 29 a-i for more information on transactions relating to retirement benefits.

33. Revaluation Gains and Losses

General Fund service expenditure includes £0.7m of revaluation losses in 2013/14 (£7.2m 2012/13). 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 Cultural and Related Services £0.45m, Planning Services £0.2m and Environmental Services £0.05m. Within the Housing Revenue Account there was a reversal of previous revaluation loss of £30k, which reflects a small increase in market value in the year (£1.6m revaluation loss in 2012/13).

Within Financing and Investment Income and Expenditure in 2013/14, Investment Property expenditure includes a revaluation gain of £0.4m (£2.0m loss in 2012/13).

These revaluation losses are 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.

HARROGATE BOROUGH COUNCIL
MOVEMENT ON THE HOUSING REVENUE ACCOUNT (HRA) STATEMENT

		2013/14 £'000	2012/13 £'000
Note	HRA Balance brought forward	-10,723	-7,185
	Surplus (-) or Deficit in the year on HRA Income & Expenditure Statement	-4,948	-2,397
	Adjustments between accounting basis and funding basis under regulations		
	Gain or Loss (-) on sale of HRA non-current assets	533	323
2	HRA share of contributions to or from (-) the Pensions Reserve	65	111
3	Capital Expenditure funded by the HRA	0	0
4	Transfer to Major Repairs Reserve	3,729	3,612
5	Transfer to/from (-) the Capital Adjustment Account	-3,699	-5,187
	Net increase (-) or decrease before transfers to or from Reserves	-4,320	-3,538
	Increase (-) or decrease in the year on the HRA	-4,320	-3,538
	HRA Balance carried forward	-15,043	-10,723

HARROGATE BOROUGH COUNCIL
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

	2013/14	2012/13
	£'000	£'000
Note Expenditure		
Repairs and maintenance	3,619	4,020
Supervision and management	3,387	3,303
5 Depreciation and impairments of non-current assets	3,699	5,187
Debt Management Costs	35	38
Total Expenditure	<u>10,740</u>	<u>12,548</u>
Income		
6 Dwelling Rents (gross)	15,535	15,038
Non-dwelling rents (gross)	234	266
Charges for services and facilities	839	852
7 Contributions towards expenditure	283	247
Total Income	<u>16,891</u>	<u>16,403</u>
Net Cost/Surplus (-) of HRA Services included in the Whole Authority Comprehensive Income and Expenditure Statement	<u>-6,151</u>	<u>-3,855</u>
HRA share of Corporate & Democratic Core	58	70
Net Cost/Surplus (-) of HRA Services	<u>-6,093</u>	<u>-3,785</u>
HRA share of the other operating income and expenditure included in the Whole Authority Comprehensive Income and Expenditure Statement		
Gain (-) or loss on sale HRA non-current assets	-534	-323
8 Interest payable	1,805	1,872
8 Investment Income	-126	-161
Surplus (-) or Deficit for the year on HRA services	<u>-4,948</u>	<u>-2,397</u>

HARROGATE BOROUGH COUNCIL
NOTES TO THE HOUSING REVENUE ACCOUNT

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 2013/14 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 29b in the notes to the financial statements for more information on the pension scheme transactions.

3. Capital Expenditure funded by the HRA

In 2013/14 and 2012/13, there were no contributions from revenue towards capital expenditure.

4. Major Repairs Reserve (MRR)

	2013/14	2012/13
	£'000	£'000
Balance at 1 April	838	443
Transfers to (-)/from the HRA	3,729	3,612
Capital expenditure on HRA property	-4,490	-3,217
Balance at 31 March	<u>77</u>	<u>838</u>

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.

5. Depreciation, Impairments and Revaluation Losses

	2013/14	2012/13
	£'000	£'000
Council Dwellings:		
Depreciation	3,612	3,496
Revaluation Losses in year	60	1,608
Reversal Prior Year Revaluation Losses	-91	0
Other Land and Buildings:		
Depreciation	117	116
Revaluation Losses in year	1	4
Reversal Prior Year Revaluation Losses	0	-37
	<u>3,699</u>	<u>5,187</u>

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 2013/14, the valuation of the Council's housing stock was revised in line with the latest market values. This led to a small net increase in the valuation, which was credited to the HRA in 2013/14 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

6. Rents from Dwellings

	2013/14	2012/13
	£'000	£'000
Rents from Council houses	15,395	14,877
Rents from hostels	140	161
	15,535	15,038

These rents are gross of any rebate awarded.

7. Contributions towards Expenditure

This includes £116k 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 and £65k was recharged to the General Fund for repairs to buildings carried out by HRA maintenance staff. £102k 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 2013/14 in accordance with the Item 8 Credit and Item 8 Debit (General) Determination 2012. Interest paid is related to the HRA Capital Financing Requirement (CFR) which represents the HRA share of the Council's borrowing for capital expenditure.

Interest Payable	2013/14	2012/13
	£'000	£'000
Interest on loans included in the HRA CFR	1,737	1,757
Interest on unfinanced HRA CFR	68	115
	1,805	1,872

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 (0.89% for 2013/14 and 1.55% in 2012/13).

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

Investment Income	2013/14	2012/13
	£'000	£'000
Average notional cash balance in year including Major Repairs Reserve	14,172	10,363
Average interest rate on approved investments	0.89%	1.55%
Interest on Notional Cash Balance	-126	-161

9. Council House Rent Arrears

For the financial year 2013/14 rent arrears from Council house tenants (both current and former) represented 1.03% of the total Council house rent income due. This comprised 0.48% for current tenants and 0.55% for former tenants. The arrears figures are as follows:

HARROGATE BOROUGH COUNCIL
NOTES TO THE HOUSING REVENUE ACCOUNT

	2013/14	2012/13
Arrears at 31 March:	£'000	£'000
- current tenants	74	57
- former tenants	84	58
	<u>158</u>	<u>115</u>
Provision for bad debts	<u>141</u>	<u>83</u>

10. Housing Stock

The Council was responsible for managing 3,907 dwellings as at 31 March 2014. The stock was made up as follows:

	2013/14	2012/13
Houses	1,374	1,387
Flats, Bedsits and Maisonettes	1,820	1,817
Bungalows	670	670
Hostel Places	43	43
	<u>3,907</u>	<u>3,917</u>

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

	2013/14	2012/13
	£'000	£'000
Stock at 1 April	3,917	3,925
Sales to Council Tenants	-13	-10
Additions to stock	3	2
	<u>3,907</u>	<u>3,917</u>

11. Balance sheet values

	31 March 14	1 April 13
	£'000	£'000
Council Dwellings	145,529	144,035
Other Land and Buildings	2,520	2,576
	<u>148,049</u>	<u>146,611</u>

The balance sheet value of dwellings at 1 April 2013 is £144m on a tenanted valuation (£147m 1 April 2012). The vacant possession value of dwellings at 1 April 2013 is £462m (£470m 1 April 2012). These two values show the economic cost to Government of providing council housing at less than open market rents.

12. Capital Expenditure Analysis

	2013/14	2012/13
	£'000	£'000
HRA Capital Expenditure		
Council House Improvements	5,539	3,217
	<u>5,539</u>	<u>3,217</u>
HRA Capital Funding		
Grants	1,049	0
Major Repairs Reserve	4,490	3,217
	<u>5,539</u>	<u>3,217</u>

See also note 26 to the Financial Statements, page 52.

13. Capital Receipts Analysis

	2013/14	2012/13
	£'000	£'000
Sale of council houses	1,041	820
Payment to national pool	-639	-513
Balance of usable receipts available to finance capital expenditure	<u>402</u>	<u>307</u>

HARROGATE BOROUGH COUNCIL
THE COLLECTION FUND (ENGLAND) STATEMENT

		2013/14		2012/13
		£'000	£'000	£'000
Income				
Council Tax collectable – Note 1		91,011		89,078
Transfers from General Fund:	Council Tax benefits	-171		7,900
	Transitional relief	-6	90,834	-11
Non-Domestic (NDR) Rates collectable – Note 2			60,557	58,094
Total Income			<u>151,391</u>	<u>155,061</u>
Expenditure				
Precepts and Demands:	North Yorkshire County Council	61,384		65,712
	North Yorkshire Police & Crime Commissioner	11,874		12,711
	North Yorkshire Fire and Rescue Authority	3,604		3,859
	Harrogate Borough Council	13,345	90,207	14,274
NDR Share	Central Government	29,394		57,811
Payments:	North Yorkshire County Council	5,291		0
	North Yorkshire Fire and Rescue Authority	588		0
	Harrogate Borough Council	23,515	58,788	0
NDR charges/receipts (-)	Cost of collection allowance	285		283
	Transitional Protection Payments	194	479	0
Uncollectable Amounts:	Council Tax Allowance for Impairment	113		-13
	Council Tax written off	125	238	191
	NDR Allowance for Impairment	350		0
	NDR Allowance for Appeals	1,737		0
	NDR written off	286	2,373	0
Council Tax deficit re prior year to:	NYCC, NYPCC & NYFRA		0	-591
	HBC		0	-102
NDR deficit re prior year to:	Central Government, NYCC & NYFRA		0	0
	HBC		0	0
Total Expenditure			<u>152,085</u>	<u>154,135</u>
Movement on Fund Balance – Council Tax			388	926
Movement on Fund Balance – NDR			-1,082	0
Total Movement on Fund Balance			<u>-694</u>	<u>926</u>
Fund Balance at start of year – Council Tax			145	-781
Fund Balance at start of year – NDR			0	0
Total Fund Balance at start of year			<u>145</u>	<u>-781</u>
Fund Balance at end of year – Council Tax (Note 3)			533	145
Fund Balance at end of year – NDR (Note 4)			-1,082	0
Total Fund Balance at end of year			<u>-549</u>	<u>145</u>

HARROGATE BOROUGH COUNCIL
THE COLLECTION FUND (ENGLAND) STATEMENT

Note 1 Council Tax 2013/14

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	A	B	C	D	E	F	G	H	Total
Equated Dwellings	4,597	9,568	13,193	8,982	8,021	5,603	4,942	534	55,440
Ratio to Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	3,062	7,442	11,727	8,982	9,803	8,093	8,237	1,068	58,414
Adjustment for collection rate, banding appeals, lieu contributions, etc									-367
							Council Taxbase		58,047

The average Band D Council Tax of £1,543.69 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 £774k of Government contributions in lieu of Council Tax for Ministry of Defence properties.

Note 2 Non Domestic Rates 2013/14

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 47.1p for the year (45.8p 2012/13), and the total non-domestic rateable value at the end of the year was £151,214,873 (£150,738,000 2012/13). The gross rates thus payable for the year were abated by reliefs for empty property, charitable occupiers, rating appeals and transition, to give the net amount collectable shown above.

Note 3 Movement on the Fund Balance – Council Tax

Each Authority's share of the movement on the Fund Balance in the year, a surplus of £388k (£926k surplus 2012/13) is: NYCC £264k (£630k surplus 2012/13), NYPCC £51k (£122k surplus 2012/13), NYFRA £16k (£37k surplus 2012/13) and HBC £57k (£137k surplus 2012/13).

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 £1,082k is Central Government £541k, NYCC £97k, NYFRA £11k and HBC £433k.

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

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.

Actuarial Gains and Losses on 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.

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.

HARROGATE BOROUGH COUNCIL
GLOSSARY OF TERMS

Contingent Liability

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

or:

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

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

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.

Formula Grant

This is the aggregate of Revenue Support Grant (RSG) and redistributed business rates (National Non-Domestic Rates - NNDR) received from the Government towards the cost of providing local authority services in the area.

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.

HARROGATE BOROUGH COUNCIL
GLOSSARY OF TERMS

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.

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).

HARROGATE BOROUGH COUNCIL
GLOSSARY OF TERMS

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.

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.

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 Authority financial statements

We have audited the financial statements Harrogate Borough Council for the year ended 31 March 2014 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 2013/14.

This report is made solely to the members 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.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 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 the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; 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 2014 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 2013/14.

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 the Authority 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 the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the 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 the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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 the Authority 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 the Authority put in place proper

HARROGATE BOROUGH COUNCIL

arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority 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 2014.

Certificate

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

Cameron Waddell
For and on behalf of Mazars LLP

The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

24 September 2014

APPENDIX 1

ANNUAL GOVERNANCE STATEMENT

HARROGATE BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2013/2014

1. SCOPE OF RESPONSIBILITY

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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the 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.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government, and will publish the code on its Intranet and website.

This statement explains how The Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a Statement on Internal Control, which is encompassed in the Annual Governance Statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework 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.

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 ongoing 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.

The governance framework has been in place at Harrogate Borough Council for the year ended 31st March 2014 and up to the date of approval of the annual statement of accounts.

3. THE GOVERNANCE FRAMEWORK (Key Elements, Systems and Processes)

The Council has adopted a Constitution that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

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 Council's overall budget and policy framework as set by the Council. Decisions outside of this framework must be referred to the Council. The Council usually meets six times year. Meetings are open to the public except for exempt items where personal or confidential matters are being disclosed.

The General Purposes Committee deals with a range of functions including changes to the Council's Constitution, the Member Code of Conduct, Standards issues and approval of the Statement of Accounts.

The Overview and Scrutiny Commission supports the work of the Council as a whole and holds the Executive and external partners to account. The Commission is the parent body for Councillor Call for Action Panel, Performance Panel and Governance Panel. The latter fulfilled the role and responsibilities of an Audit Committee, as set out in the CIPFA Code of Practice, throughout 2013/2014: however changes were agreed in February 2014 to replace the Governance Panel with a full Audit and Governance Committee with decision making powers with effect from May 2014.

Council officers give advice, implement decisions and manage the day-to-day delivery of its services. Senior officers make decisions under a General Scheme of Delegation to Officers. Some officers have a specific duty to ensure that the Council acts within the law and uses its resources wisely. A code of practice governs the relationships between officers and members of the Council.

The Council has appointed proper officers, statutory officers and their deputies in absence in accordance with relevant legislation. These include: the Chief Executive as the Head of Paid Service in compliance with Section 4 of the Local Government and Housing Act 1989: the Head of Legal and Democratic Services as Monitoring Officer: and the Head of Financial Management as the interim Section 151 / Chief Financial Officer pending Senior Management Review appointments.

The Head of Legal and Democratic Services is the Council's Monitoring Officer, responsible for ensuring compliance with established policies, procedures, laws and regulations. The Monitoring Officer reports to full Council if he considers any proposal, decision or omission might give rise to unlawfulness or maladministration. The Monitoring Officer is 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 Council has a Customer Care Policy and complaints procedure. The Monitoring Officer acts as a clearing-house for 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 Overview and Scrutiny, and individually as ward members, providing feedback from constituents.

HARROGATE BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2013/2014

The Council publishes its long-term vision and corporate priorities in the Corporate Plan, which sets out the policy framework for the Council to deliver its ambitions, improvements, services and functions over the next 3 years. Each year the Council publishes a Delivery Plan which details what we will do to achieve our Corporate Plan priorities, what our targets are and how we will measure them.

The Council tracks its performance on Corporate Plan, Corporate Health and service performance indicators using performance clinics and Covalent, its Performance Management Information System and publishes its performance on its website. It has a Value for Money Strategy and a programme of reviews ongoing since June 2010, and sets and meets efficiency targets annually.

The Council delivers public consultation through a Community Engagement Strategy and a Corporate Register of Consultation. It has a Partnership Working Framework Guide to ensure consistency across the services when working in partnership, a register of collaborative internal and external activities which includes partnerships that are reviewed regularly and a framework for assessing significant groups and partnerships with a list endorsed by the Corporate Management Team.

The Council has robust arrangements for identifying and managing significant risks and risk management is included as a specific responsibility in each Cabinet Member's portfolio. It publishes a Risk Management Strategy, Policy and a Strategic Risk Register. Strategic risk management is co-ordinated by a qualified officer with links to Insurance, Health & Safety and Business Continuity Planning.

Departmental Management Teams were responsible for ensuring that risk and control are considered in their business planning, decision-making and service delivery, and included in a Departmental Risk Register, updated regularly in collaboration with the Cabinet Member.

Risks are identified in Cabinet, Corporate Management Team (CMT) and other reports using a standard approach. Risk registers identify and score risks and identify the controls and mitigating strategies in place to manage them. Cabinet, CMT and the Governance Panel monitor risk management arrangements regularly.

The Council's financial management is conducted in accordance with the Budget and Policy Framework Procedure Rules, Financial Procedure Rules and Contract Procedure Rules. These rules set out the framework within which the Council conducts its financial affairs and ensures proper financial arrangements are in place.

The Council has a designated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972 and other relevant legislation. Following the retirement of the Director of Resources in March 2013 this role was undertaken by the Head of Financial Management. The Chief Financial Officer prepares and submits annually a Medium Term Financial Strategy, Revenue Budget and Capital Programme for approval by Cabinet. After review by the Overview and Scrutiny Commission, the Cabinet agrees final reports on financial strategy, revenue budget, capital programme and tax levels for submission to the Council. The Chief Financial Officer also prepares and publishes an annual Statement of Accounts that conforms to all statutory and professional requirements, codes of practice and timetables. From 2010/2011 this includes compliance with International Financial Reporting Standards.

HARROGATE BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2013/2014

The Chief Financial Officer is responsible for determining the accounting procedures, form of financial records and statements, for maintaining the financial accounts of the Council and ensuring that proper accounting arrangements are established in all departments. Chief Officers are responsible for the satisfactory operation of financial and accounting systems within their departments. Heads of Service are responsible for planning and managing their budgets to meet the agreed bottom line budget figure for their Business Unit.

The Chief Financial Officer maintains an Internal Audit Section in accordance with the Accounts and Audit (England) Regulations 2011 and the 'Public Sector Internal Audit Standards' published in 2013. Internal Audit provides a shared service to Harrogate Borough Council and Craven District Council under collaboration arrangements. 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, and reports regularly on delivery of the plans.

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 CMT and DMT agendas. The Council has nominated Health and Safety leads within both CMT (the Director of Development Services) 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.

The Council has a range of other best practice strategies and policies as part of its governance framework, including an Anti-Fraud and Corruption Strategy and a Whistle Blowing Policy.

Following the transfer of the Audit Commission's in house Audit Practice to the private sector, with effect from November 2012, the council's external auditor is Mazars LLP.

The Corporate ICT Strategy Group (CISG) makes strategic decisions about ICT service development and investment within the Council with reference to the Council's key corporate plans, policies and priorities met regularly during 2012/2013 and has overseen delivery of the Council's ICT Strategy 2010 – 2013. 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.

In July 2013 the Chief Executive initiated a Senior Management Review. Following consultation in the latter half of 2013 a new organisational structure was agreed and recruitment then took place for a number of new posts in the structure including: Director of Corporate Affairs, Head of Finance, Head of Legal and Governance, Head of Organisational Development and Improvement, Head of ICT and Customer Support, and Head of Environmental Services. The new structure was implemented from 1st April 2014 with all postholders being in place by mid-May 2014.

Going forward, the new structure will strengthen corporate governance arrangements and leadership across the council and each new postholder will make a significant contribution to governance and to the annual governance statement. However, it should be noted that this statement is primarily concerned with looking back on 2013/2014 and will therefore reflect arrangements (including department / service areas, structures, post titles and group names) in place during that time period.

4. REVIEW OF EFFECTIVENESS

Harrogate Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority 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.

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 Council
- The Cabinet
- Overview & Scrutiny including the Performance Panel and Governance Panel (the latter becomes the Audit and Governance Committee from May 2014)
- Council Constitution, General Purposes Committee and the Monitoring Officer
- Corporate Management Team (known as Management Board from April 2014)
- Extended Management Team, Departmental Management Teams and Heads of Service (known as Management Team from April 2014)
- Department of Corporate Policy and Improvement (brought together with the Department of Resources to form Corporate Affairs from April 2014)
- Internal Audit
- External audit and inspection, provided by Mazars LLP

The Council

Full Council met 10 times in 2013/2014 including the Annual General Meeting. At these meetings they considered and approved the minutes of Cabinet meetings; reports back from the Overview and Scrutiny meetings, including a report from the Chair of the Governance Panel, Standards Committee and General Purposes Committee. They also considered:

- the Draft Revenue Budget 2014/2015
- the Council Tax Resolution 2014/2015
- Harrogate District Sites and Policies Development Plan Document
- the appointment of an Independent Person for standards issues in accordance with the provisions of the Localism Act 2011
- the financial, contractual and organisational requirements to deliver a successful Grand Depart to the Tour de France in July 2014
- the review of the Council's Senior Management Structure

Cabinet

Cabinet met in public session at least once a month throughout 2013/2014. In total it met 14 times. In addition to decision making reports, they considered and approved:

- The 2013-2016 Corporate Plan and Corporate Health reports, supported by regular reports on the strategic risk register and performance management arrangements
- Medium-Term Financial Strategy 2014/2015 to 2016/2017; General Fund and Housing Revenue Account budgets 2014/2015; Treasury Management Strategy and

HARROGATE BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2013/2014

Annual Report; Final Accounts 2012/2013; Capital Programme and Housing Investment Programme; and regular progress reports on these areas

- A range of other strategies including the Sites and Policies Development Plan Document, the Council's Accommodation Strategy, 6 monthly update report from Harrogate International Centre, Welfare Reforms, changes to the Senior Management Structure, a review of the Council Tax Reduction Scheme

General Purposes Committee

General Purposes Committee met six times in 2013/2014. The Committee considered and approved a range of issues in their role as 'those charged with governance' including:

- General Fund Revenue Accounts 2012/2013
- The Audit Completion Report - Year ended 31 March 2013
- A review of HIC Constitutional Arrangements
- Appointments to Committees and Outside Bodies
- A review of the Standards regime following the changes implemented 12 months earlier
- The Role of District Development Committee
- Proposed changes to the Planning Committee Public Speaking Scheme
- The establishment of Audit and Governance Committee to be introduced in the 2014/2015 municipal year

Overview and Scrutiny

Overview and Scrutiny continued to contribute to the Council's governance arrangements, by holding the Executive and external organisations and partnerships to account. In addition to their contribution to the annual budget process and ongoing economy of the district review, the Commission focused on Crime and Disorder and arrangements between the Community Safety Partnership, North Yorkshire County Council and North Yorkshire Police and on Housing Policy and Financial Inclusion.

The Governance Panel undertook the core functions of an audit committee as set out in CIPFA guidance. The Panel met four times during the year to consider the full range of issues under its remit including: Annual Governance Statement 2012/2013; General Fund Final Accounts 2012/2013; Treasury Management Strategy and Annual Report; the Audit Manager's Annual Report, audit charter, audit plan, progress reports and reports on compliance with Public Sector Internal Audit Standards: the Audit Strategy Memorandum, Progress Report and Completion Report from Mazars LLP, the council's external auditors.

The Performance Panel also met four times in the year and considered the year end Performance Report 2012/2013, quarterly performance monitoring reports 2013/2014, the Medium Term Financial Strategy 2013/2014 – 2015/2016 and regular General Fund 2013/2014 monitoring reports.

Council Constitution, Standards and Monitoring Officer

The Standards Committee was abolished under Localism Act 2011 provisions with effect from the 12 July 2012. A panel of the General Purposes Committee now handle any complaints that the Monitoring Officer cannot resolve locally by agreement of other action. The Council has appointed a Statutory Independent Person to advise and give a non-council viewpoint on these matters.

HARROGATE BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2013/2014

General Purposes Committee reviewed the arrangements in light of the first 12 months operation of the new system in Harrogate and experience elsewhere. As a result a number of minor amendments were made to the Council's procedure to give the Monitoring Officer greater discretion to resolve complaints informally in consultation with the Independent Person without an obligation to refer to a full panel hearing.

The Monitoring Officer received five standards complaints against Councillors and Parish Councillors in 2013/2014 all of which were dismissed or addressed by way of local resolution.

Local Government Ombudsman

The Annual Review Letter from the Local Government Ombudsman records that, for the period ending 31 March 2014, 19 complaints and enquiries were received in respect of the Council. It also records that 18 decisions were made in this period, 3 of which found fault on the Council's behalf.

Corporate Management Team (CMT)

In 2013/2014 the Corporate Management Team received, considered and approved:

- The revised Corporate Plan and annual Delivery Plan
- Final Accounts 2012/2013: Medium Term Financial Strategy 2013/2014 – 2015/2016: Capital Programme; and regular General Fund Revenue Budget monitoring reports
- Reports on the various corporate reviews taking place across the council
- Regular service improvement reports throughout the year including updates on performance update
- An annual report on corporate risk management arrangements, a revised Strategic Risk Register, and risk assessments in support of a range of decisions made

Extended Management Team, Departmental Management Teams and Heads of Service

Departmental Management Teams met on a regular basis in 2013/2014 and reviewed key elements of the governance arrangements within their Departments including integrated service improvement planning, financial management, performance management, risk management and health and safety. As part of the Extended Management Team, Heads of Service took part in the annual Corporate Plan process and annual budget cycle in early 2014. They maintained performance and risk management data and records.

Department of Corporate Policy and Improvement (DCPI)

The Department of Corporate Policy and Improvement continued to provide oversight of key governance agendas including:

- Initiating the three year refresh and annual review of the Corporate Plan with Cabinet and the Extended Management Team
- Embedding the integrated business planning framework and overseeing the publication and delivery of Service Plans and key performance reports
- Co-ordinating the Innovate Programme and refreshing its governance arrangements
- Leading the programme of Service Improvement Reviews implemented as part of the Innovate programme

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- Strengthened arrangements for information governance with the appointment of an Information Officer and the development and co-ordination of an emerging Information Governance Framework, approved by Corporate Management Team in early 2014

Review of the Effectiveness of Internal Audit and Compliance with the Public Sector Internal Audit Standards

Under the Accounts and Audit (England) Regulations 2011 the Council is required to carry out an annual 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.

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 2013 Mazars LLP, the council's external auditors, carried out a compliance review of internal audit against the standards. Mazars LLP approach, findings, conclusions and recommendations were set out in their report published in early 2014. 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.

In response to this, the Audit Manager gathered together the evidence available from a range of sources, carried out an assessment and concluded that overall, internal audit provided an effective service during 2013/2014. His assessment was considered by the Council's Audit and Governance Committee at its meeting in July 2014 who resolved to agree the conclusions and recommendations in the report.

As an interim measure, the process and the evidence used in the Audit Manager's assessment had been 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. The requirement to pick this up for further action and monitoring in 2014/2015 is reflected in Section 5 of this statement.

Internal Audit

The Audit Manager summarised Internal Audit's findings and gave his opinion on the overall adequacy and effectiveness of the Council's arrangements for risk management, governance and control in an Annual Report to Management Board (formerly Corporate Management Team) and the Audit and Governance Committee in July 2014. In brief, Internal Audit:

- Reported regularly to the Head of Financial Management (the Council's S151 officer for the year), Chief Executive, CMT and the Governance Panel
- Held regular meetings with the Council's external auditors, Mazars LLP

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- Produced audit plans in consultation with senior management. Deferment of some work and the reasons for this were reported to the Governance Panel
- 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.
- Reviewed compliance with the Council's procurement rules and provided advice on procurement to services in partnership with the Corporate Procurement Unit
- Gave advice on the Exhibition Halls scheme, provided advice and support to the Innovate Programme and on information governance.
- Have undertaken reviews of various services and functions including Homelessness , Customer Complaints , the arrangements to prevent and detect Tenancy Fraud and the Council's Whistleblowing Policy
- Completed the second year of a three year collaboration arrangement with Craven District Council for the provision of a Shared Internal Audit Service
- Re-visited the review of the future of the Governance Panel. This was rejected in 2012/2013 but then approved when re-visited in 2013/2014.

External Audit

With the transfer of the Audit Commission's in house Audit Practice to the private sector and following completion of the audit of the 2011/2012 accounts, Mazars LLP took over as external auditors for the North East and North Yorkshire, including Harrogate Borough Council with effect from 1 November 2012. In 2013/2014 auditors from Mazars LLP attended the Governance Panel and General Purposes Committee and presented their Audit Strategy Memorandum, Progress Report and Completion Report.

CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010

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).

During 2013/2014, following the retirement of the Director of Resources in March 2013, the Head of Financial Management took on the role of S151 Officer / Chief Financial Officer on an interim basis whilst the Head of Legal and Democratic Services deputised in regard to all other aspects of the post including staff and other management responsibilities. From May 2014 the Head of Finance will be the S151 Officer / Chief Financial Officer.

Innovate@Harrogate (Business Transformation Programme)

The governance arrangements for the Innovate@Harrogate Business Transformation Programme were reviewed and refreshed in 2013/2014 (having previously been reviewed in November 2011). The three project boards continue to report to the Innovate Board which has oversight and accountability for the whole programme. Work also started to improve Innovate's performance and risk management arrangements and continues in 2014/2015.

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Office Accommodation Strategy

Following the council's decision that its preferred option for its office accommodation would be to relocate to new offices on the Council owned Knapping Mount site, project governance arrangements have been fully reviewed. The Council is undertaking an extensive public consultation exercise on both viable options for its future office accommodation. The outcome of the consultation exercise will be reported to Cabinet and Council for full consideration in August 2014.

ICT and Information Governance

Throughout 2013/2014 ICT have focussed resources on compliance with two external regimes: the Payment Card Industry (PCI) Security Standards and the Public Services Network (PSN) Data Security Standard. Following external inspections in early 2014 action plans have been put in place and we are making good progress towards full compliance.

In 2012/2013 the council recognised the need to strengthen its arrangements for information governance and responded by creating a new post of Information Officer, to be located within DCPI. An appointment to the post was made in July 2013 and significant progress has been made with this agenda in 2013/2014. In early 2014 CMT approved an emerging Information Governance Framework which will see the delivery in 2014/2015 of a suite of information management related strategies and policies, data audits and improvements in data transparency.

Service Reviews

Several service reviews were initiated, progressed or completed in 2013/2014 including:

- Completion of the value for money reviews on Financial Management and Legal and Democratic Services, bringing the programme of back office service reviews to an end
- A draft report (finalised in July 2014) of the review into the 'streetscene' functions of Environment, Waste, Parks and Open Spaces and some aspects of Environmental Protection: the review has significant bearing on key corporate issues being taken forward in 2014/2015 including enforcement, asset management and commercial opportunities.

2012/2013 Issues Brought Forward

There were no significant governance issues in 2012/2013 to be brought forward for consideration in 2013/2014

5. SIGNIFICANT GOVERNANCE ISSUES

One significant governance issue has been identified to date for action and monitoring in 2014/2015.

Review of the effectiveness of internal audit: following 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 (see Section 4), plans are being put in place to improve and strengthen this area and progress will be reported on a regular basis.

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Declarations

The Audit and Governance Committee has overseen production of the Annual Governance Statement 2013/2014 and agreed that it is consistent with their view of the Council's governance arrangements, based on reports made to their predecessor, the Governance Panel, during 2013/2014 and they therefore recommend it for approval by the Leader of the Council and the Chief Executive.

Councillor S Theakston
Chair of the Audit and Governance Committee

Date

I have been advised on the implications of the result of the review of the effectiveness of the governance framework as overseen by the Governance Panel / Audit and Governance Committee.

A plan to ensure continuous improvement of the systems is in place. We propose over the forthcoming year to take steps to further enhance our governance arrangements.

Leader of the Council
Councillor R Cooper

Date

Chief Executive
Mr W Sampson

Date