

Statement of Accounts

For the year ended 31 March 2019



INTRODUCTION

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

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Additional Information to the Accounts

Appendix 1: Annual Governance Statement

The Harrogate District

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



In a typical week, we:

Assist

4,900

people via email,
phone or online



Prevent

10 people

from becoming homeless



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



Welcome

3,770 visitors

to our tourist information centres
and information points

Collect



990 tonnes

of household waste

Process

980

benefit claims
and changes



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



...catch **2** stray dogs



Welcome

1,370

visitors to our
museums and galleries
(virtually and in person)

Welcome

14,000
people

to our sport and
leisure facilities



Inspect **10 food**
premises



Deal with

82

local search and
land charges
requests



Review and process

35 planning
applications

Our corporate priorities and values are:



Our values

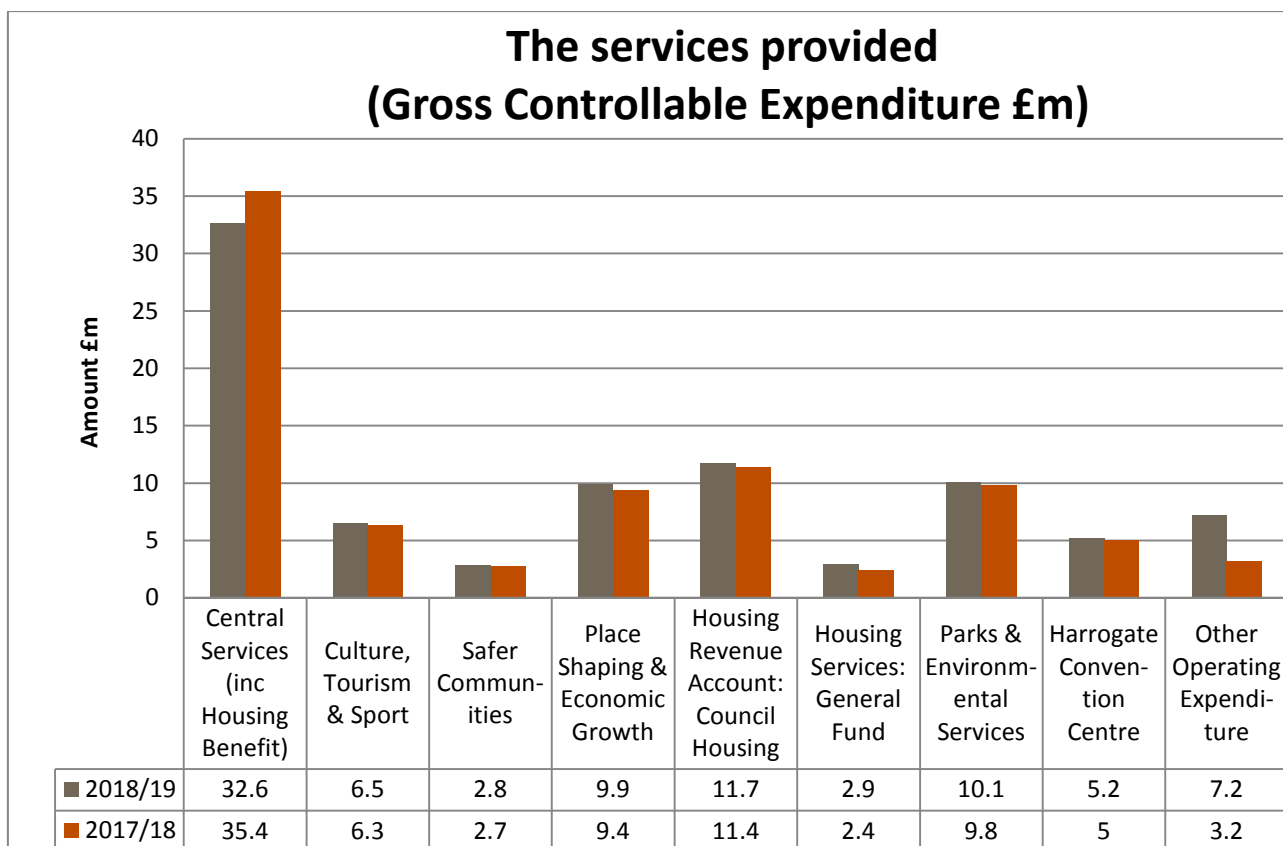
Our vision + our values + our behaviour = our responsibility

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

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2019

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



Central Services includes expenditure on housing benefit (£20.8m in 2018/19 and £23.3m in 2017/18) as well as the Information Communication & Technology, Legal, Finance and Organisational Development & Improvement services. These are largely 'back office' functions and support the other services that the Council provides, although included within here are services such as Revenues & Welfare and Elections.

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

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

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

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

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

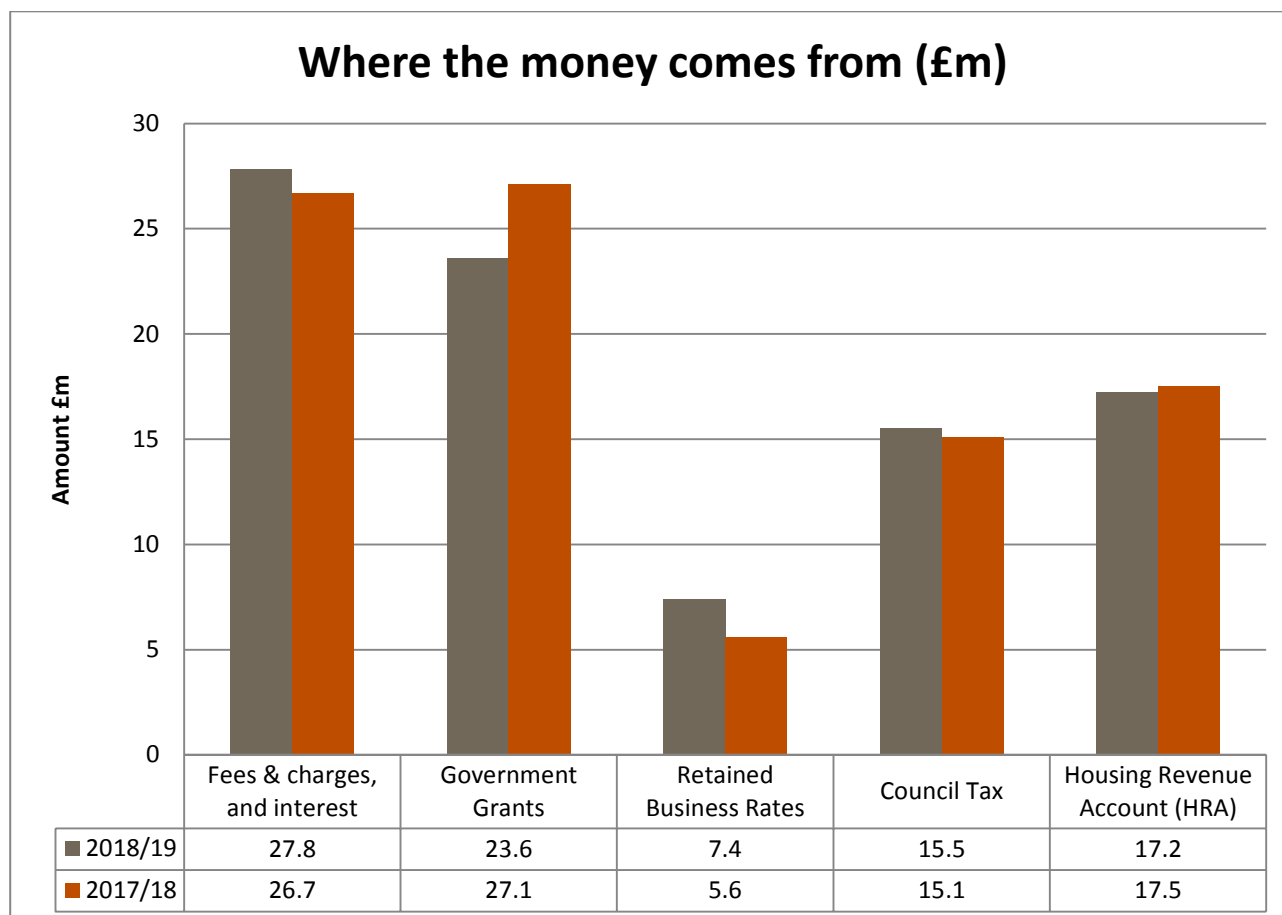
Parks and Environmental Services includes open spaces, waste collection, recycling, cemeteries and crematoria, street cleansing and pest control.

Harrogate Convention Centre includes services provided by the Convention Centre.

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

HARROGATE BOROUGH COUNCIL
NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2019

Funding comes from the following sources:



The table shows the importance of government grants, despite their continued reduction. That said, the majority of the grant figure (£20.8m in 2018/19 and £23.4m in 2017/18) relates to Housing Benefit grant.

In 2018/19 no Revenue Support Grant was received by the Council (£0.4m received in 2017/18).

New Homes Bonus grant totalled £1.2m in both 2018/19 and 2017/18 and is a key element of funding, but one that is not guaranteed beyond 2019/20.

Business rates income increased significantly in 2018/19 as the Council was part of a 100% retention pilot as part of the Leeds City Region (LCR) pool. This pilot was for one year only and meant that a significantly higher amount of business rates income was retained locally, both within the district and across the LCR pool as a whole. In 2019/20, the Council will be part of a North and West Yorkshire pool, which will pilot 75% retention. This will again lead to increased local retention of business rates income, although the retained amount will be lower than in the 100% pilot for 2018/19.

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

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2019

The **General Fund** budget for 2018/19 and a comparison with actual performance are set out below:

	Net Controllable Budget £000	Outturn £000	Variance £000
Community:			
Housing & Property	1,713	1,678	-35
Parks & Environmental Services	4,350	4,367	+17
Safer Communities	-1,473	-1,436	+37
Corporate Affairs:			
Finance	2,620	2,659	+39
Legal & Governance	2,229	2,204	-25
ICT	2,663	2,617	-46
Organisational Development & Improvement	1,980	1,839	-141
Economy & Culture:			
Culture, Tourism & Sport	539	863	+324
Place Shaping and Economic Growth	5,174	4,406	-768
Harrogate Convention Centre	-1,093	-399	+694
Treasury Management & Other Corporate Items	-2,599	-3,085	-486
Total Net GF Expenditure	16,103	15,713	-390
Funding	-16,103	-16,093	+10
Net Position	0	-380	-380

Overall, a saving against budget of £380k was made, with variations across most service areas. This underspend is much smaller than in previous years (£1.8m in 2017/18 and £1.3m in 2016/17). The largest variance was within Place Shaping & Economic Growth, which underspent significantly, primarily due to the combination of a large increase in planning application income together with salary savings from both vacancies and unutilised resource pending a service review. The Convention Centre fell significantly short of its income budget. Within Culture, Tourism & Sport, income fell short of expectations across a number of areas, most notably at the Turkish Baths due to an extended closure for refurbishment and also at the swimming pools. The savings within Treasury Management primarily relate to the in-year cost of the business rates levy and grant income, together with an increase in interest received. Salary savings were made in Organisational Development & Improvement due to a number of vacancies in the service. Of the £380k underspend, £223k has been transferred to service reserves, with the remainder being transferred to the General Fund working balance ahead of decisions being made as to its use. More detail can be found in the '2018/19 Year end Finance and Performance report', which will be published in June.

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2019

The **Housing Revenue Account** budget for 2018/19 and a comparison with actual performance are set out below:

	Net budget	Outturn	Variance
	£'000	£'000	£'000
Expenditure	17,970	13,884	-4,086
Income	-17,891	-17,908	-17
Net Expenditure	79	-4,024	-4,103
Working Balance:			
Brought forward	-13,622	-18,137	-4,515
Carried forward	-13,543	-22,161	-8,618

Expenditure was significantly lower than budget, primarily because the contribution to capital expenditure was reduced by £3.5m due to delays in some redevelopment work, along with an underspend of £0.5m on reactive repairs and maintenance.

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

The HRA working balance carried forward is £22.1m, and this is forecast to remain at a similar or higher level over the forthcoming years in preparation for repaying in 2021/22 £15m of loan funding that was taken out to fund the self-financing payment to Government in 2012.

Capital

In 2018/19 the Council spent £14.8m on capital projects compared with the original overall budget of £20.2m. Of this total, Housing capital spending for 2018/19 was £10.5m compared to a budget of £13.2m, the net reduction of £2.7m being largely due to £2.5m of redevelopment works being carried forward to 2019/20. Work completed in the year included the annual programme of planned maintenance and upgrades, together with a number of property purchases to add to both the social and shared ownership stock. The programme of building new homes to add to the social housing stock continued, with 16 dwellings completed in the year.

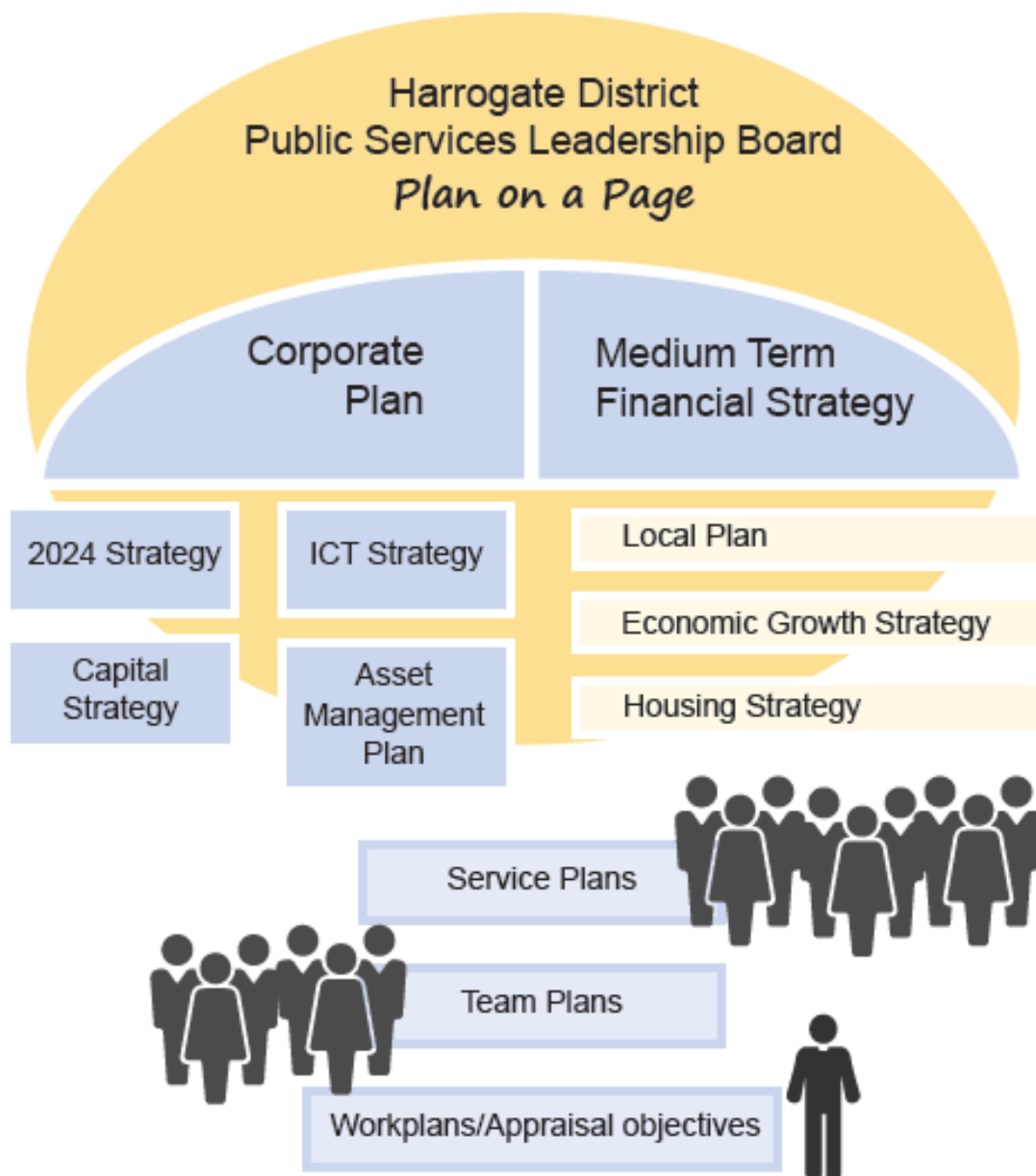
Capital spending on non-housing schemes was £4.3m, compared to an original budget of £7.0m. The variance was largely due to £3.0m of expenditure on the new swimming pool in Ripon being carried forward to 2019/20. The major areas of expenditure in the year included vehicle replacements (£1.5m), the refurbishment of the car park at Tower Street in Harrogate (£0.9m) and IT hardware and software (£0.6m).

Capital receipts from asset sales during the year totalled £4.6m. £4.0m of this related to Council dwelling sales within the HRA, including £2.0m of shared ownership property sales. Of the HRA receipts, £0.8m was paid over to the Government in line with the pooling requirements. The non-housing-related sales included a deed of grant of rights over some land at the Royal Baths, an overage payment on the sale of land at Spacey Houses in Pannal, and the sale of a former street cleansing store.

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2019

The financial performance in the year was encouraging insofar as both the General Fund and HRA underspent, but there are undoubtedly financial challenges both in the immediate and medium term that will need to be met. The Medium Term Financial Strategy (MTFS) will be updated over the summer of 2019 and will set out the upcoming financial challenges and risks, together with the actions needed to overcome them. The MTFS is just one element of the strategic planning process, which is set out below:

How our STRATEGIES AND PLANS fit together



HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2019

In March 2016 the Council adopted an updated transformation programme, named *Our Strategy for Success*, which was superseded by the 2024 programme during 2018/19. The programme has made a number of significant achievements in the past two years, including:

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

The new *2024 Programme* will address the challenges and opportunities now facing the Council, including:

Challenges:

- **Funding** – there is significant uncertainty over future funding levels, with a Fair Funding Review due to implement new baseline funding allocations for local authorities from 2020/21
- **Ageing workforce** – the Council must address how it will retain knowledge and experience as a significant proportion of the workforce approaches retirement age
- **Technological change** – ensuring that the council has the capacity to invest in and implement infrastructure change, in order to operate efficiently and to meet customer needs

More widely, the district faces key challenges including:

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

Opportunities:

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

Financial and Service Performance

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

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

The Council produces an annual delivery plan to deliver its Corporate Plan – the actions and performance indicators in the annual delivery plan can change on an annual basis in order to ensure we are focusing on our priority areas. On presentation of the year-end performance report for 2018/19, Management Board congratulated staff on their achievements throughout the year, as well as scrutinising the performance measures that were off target. They were satisfied with the explanations and actions put forward to mitigate the associated risks but noted that in 2019/20, further interventions will be put in place to improve performance in these areas.

The two main areas that were off target have been previously reported and measures have been put in place throughout the year to mitigate against the risk of not achieving targets:

- To promote the Harrogate Convention Centre as widely as possible to attract new events to the district and grow its income to support our local economy.
- Review of our Parks and Environmental Service

Key outcomes achieved in 2018/19 were:

- We have continued to *ensure we support – and invest in – the Sustainable Harrogate capital and property projects which help us promote the Harrogate district as a place to do business and ensure the local economy grows further*; the capital and property projects within our ‘Sustainable Harrogate’ programme are progressing well. The Station Gateway and Harrogate Convention Centre development projects are progressing and we were able to move nine businesses into Springfield House following their eviction from previous premises. These will be joined by other businesses on final completion of our Digital Incubator Hub.
- We are continuing to *increase the contribution that tourism makes to the local economy*, with the arrangements for the UCI World Cycle Championship on track; including securing £670,000 of Leeds City Region Business Rated Funds and government agreement to lift the restrictions of the Stray Act. Progress has been made on the delivery of an Events Strategy and we have agreed the cultural programme for ‘Harrogate Welcomes the World’. The majority of schemes within the District Improvement Fund have been completed with the final two outstanding schemes in Knaresborough and Masham awaiting approval from the Highways Authority and information from partners before they can be completed. We have agreed a revised grant agreement with Visit Harrogate to encompass any operating changes that may be put in place after the Road World Championships have taken place in September. A full programme of funded activity has been agreed for the period April to September 2019.
- We are on track to *adopt a Local Plan to set out where new housing will be built, and employment created, over the next two decades*; the inspection of our ambitious draft Local Plan took place in January 2019 and we are currently responding to the initial points raised by the Inspector.
- We have made significant advances in *taking a more proactive approach to the way we provide housing*; forming a Housing Company, which will allow us greater freedom to operate within the property market as well as a private sector landlord. We have also produced an updated Housing Strategy. The affordable homes partnership approach, working with developers to support and deliver more homes has been a success - delivering 259 affordable homes during 2018/2019; exceeding the 210 annual target and a significant improvement on the 161 delivered the previous year.
- We continue to *do more – with other organisations and the police – to help ensure the Harrogate district is safe and healthy*; the Community Safety Hub continues to work effectively with North Yorkshire Police, the SAFE project and FOCUS Pathway to integrate housing support and mental health (the key common themes in Hub case work).
- We are proactively *dealing with the problems associated with traffic congestion and poor air quality in the district*; we have submitted our Air Quality Management Action Plan to Defra and agreed our Ultra-low Emissions Vehicle Strategy that sets out our ambitious and forward-looking electric vehicle programme to put us among the best borough councils for electric vehicles in the country.

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2019

- We have made progress on *encouraging more of us to re-use or recycle the household waste we produce and reduce our reliance on single use plastics* but we recognise that our recycling performance (based on tonnage alone) remains below the national average. We have been working with businesses and residents to reduce the amount of non-recyclable plastic going to landfill; specifically focussing on our existing trade waste customers and launching a trade waste recycling service. We have also focussed on reducing our own consumption of single-use plastics and have ceased the use of a number of items including polystyrene cups and plastic glasses at the Civic Centre. We have also developed a policy seeking to remove single use plastic as far as is practicable. During 2018/2019 we recycled 40.14% (includes estimates) of household waste (meeting our 40% target and a slight improvement on the 39.6% in 2017/2018) and collecting 446.4 tonnes of residual household waste per household. We recognise our recycling performance is lower than the average for other district councils (the 2017/18 average for all English District Councils was 44.25% whilst our performance was 39.6%). However over 99% of our recycling waste is contaminant free, which is far better than neighbouring authorities. We have also been investigating the possibility of expanding the number of items in our kerbside collection scheme whilst waiting for the recently announced Government White Paper (Resources & Waste Strategy for England).
- Although we are making inroads to *reduce the number of families living in temporary accommodation by helping them find a permanent home* we recognise that the average length of stay in temporary B&B accommodation has increased from 3 weeks at the beginning of the financial year to 5 weeks at the end of 2018/19. The length of stay is impacted by the availability of suitable properties and we have taken a proactive approach to expanding the properties available by commencing construction of our own new build specialist housing site at Spa Lane, Starbeck. The length of stay in temporary hostel accommodation has increased from 4 weeks at Quarter 3 to 6 weeks at the end of 2018/19, this remains considerably under the target of 16 weeks and an improvement on the average of 15 weeks at the beginning of the year. The number of households living in temporary accommodation reduced from 53 to 42 (between Quarter 3 and Quarter 4). In 2017/18, there was an average of 48 families living in temporary accommodation within the councils in the Yorkshire & Humber region (putting the 42 families in Harrogate below last year's average). Following poor performance in Quarter One, we reviewed our void (empty property) management process and implemented service improvements which have reduced our re-let times from 26.1 days at the beginning of the year to 10.02 days at Quarter Four; giving an average of 15.73 days over the year (and a similar performance to the 15.62 days during the previous year).

More detail regarding the Council's performance during the year can be found in the 'Corporate Delivery Plan: Year-end 2018-19' report, which is available here:

<https://democracy.harrogate.gov.uk/documents/s3456/Appendix%201.pdf>

Also, our annual report is available here:

https://www.harrogate.gov.uk/downloads/file/4203/2019_annual_report

Planned Future Developments in Service Delivery

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

- Sustainable Harrogate – using our assets and powers to support economic growth and the provision of affordable housing
- Destination Harrogate – promoting Harrogate as an events destination in order to support the visitor economy

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2019

- Digital Harrogate – improving our communications through the use of digital and social media; and harnessing digital technology advances to improve access to services, reduce isolation and improve the effectiveness of the Council
- Commercial Harrogate – making the best use of resources by pursuing commercial opportunities and making efficiencies

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

Further information

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

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

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

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

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

The Financial Statements

The Council's Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2019. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards.

The **Core Statements** are:

- the **Statement of Responsibilities for the Statement of Accounts** – which explains both the Council's and Head of Finance's responsibilities in respect of the Statement of Accounts.
- the **Movement in Reserves Statement** – this Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
- the **Comprehensive Income and Expenditure Statement** – this Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- the **Balance Sheet** – the Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves consists of those that the Council is not able to use to provide services. This includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- the **Cash Flow Statement** – the Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2019

- the **Notes to the Financial Statements** – the notes to the accounts disclose the information required by the CIPFA Accounting Code of Practice on Local Authority Accounting that is not presented elsewhere in the financial statements and which is relevant to the understanding of them.

The **Supplementary Financial Statements** are:

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

Supporting Statements

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

Further Information

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

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

HARROGATE BOROUGH COUNCIL

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH
2019**

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 2019 and its income and expenditure for the year then ended.

Paul Foster CPFA, Head of Finance

22 July 2019

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 July 2019.

Councillor S Jackson, Chair of Audit & Governance Committee

22 July 2019

HARROGATE BOROUGH COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	Capital Receipts Reserve £'000	HRA Major Repairs Reserve £'000	Earmarked GF Reserves £'000 Note 7	Capital Grants Unapplied £'000	General Fund Balance £'000	Housing Revenue Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000 Note 16	Total Reserves £'000
Balance at 31 March 2018	4,904	1,665	23,916	2,708	3,785	18,137	55,115	262,110	317,225
Movement in Reserves during 2018/19									
Total Comprehensive Income and Expenditure	0	0	0	0	-4,538	5,186	648	14,002	14,650
Adjustments between accounting basis and funding basis under regulations:									
Depreciation, impairment and revaluation losses of non-current assets	0	0	0	0	4,073	3,842	7,915	-7,915	0
Amortisation of intangible assets	0	0	0	0	21	0	21	-21	0
Transfer of amount equivalent to depreciation from HRA to MRR	0	4,594	0	0	0	-4,594	0	0	0
Movements in the fair value of investment properties	0	0	0	0	266	0	266	-266	0
Capital grants and contributions credited to the CI&E Statement	0	0	0	2,250	-2,250	0	0	0	0
Net gain or loss on sale or derecognition of non-current assets	4,526	0	0	0	-529	-502	3,495	-3,495	0
Transfer to/from Deferred Capital Receipts	0	0	0	0	26	0	26	-26	0
Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under pension scheme regulations	0	0	0	0	5,676	92	5,768	-5,768	0
Amount by which Council Tax/NDR Income taken to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	-272	0	-272	272	0
Amount by which short term accumulated absences charged to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	11	0	11	-11	0
Statutory Provision for repayment of Principal	0	0	0	0	-798	0	-798	798	0
Capital expenditure charged to the General Fund/HRA Balances	0	0	0	0	-3,904	0	-3,904	3,904	0
Transfer from Capital Receipts Reserve equal to amount payable to Housing Receipts Pool	-797	0	0	0	797	0	0	0	0
Usable Reserves used to Finance Capital Expenditure	-2,811	-5,283	0	-1,990	0	0	-10,084	10,084	0
Net Increase/Decrease(-) before transfers to Earmarked Reserve	918	-689	0	260	-1,421	4,024	3,092	11,558	14,650
Transfers to/from(-) Earmarked Reserves	0	0	-293	0	293	0	0	0	0
Increase /Decrease(-) in year	918	-689	-293	260	-1,128	4,024	3,092	11,558	14,650
Balance at 31 March 2019 carried forward	5,822	976	23,623	2,968	2,657	22,161	58,207	273,668	331,875

HARROGATE BOROUGH COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	Capital Receipts Reserve £'000	HRA Major Repairs Reserve £'000	Earmarked GF Reserves £'000 Note 7	Capital Grants Unapplied £'000	General Fund Balance £'000	Housing Revenue Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000 Note 16	Total Reserves £'000
Balance at 31 March 2017	4,944	1,654	22,427	2,614	3,328	13,622	48,589	229,259	277,848
Movement in Reserves during 2017/18									
Total Comprehensive Income and Expenditure	0	0	0	0	-2,461	20,579	18,118	21,259	39,377
Adjustments between accounting basis and funding basis under regulations:									
Depreciation, impairment and revaluation losses of non-current assets	0	0	0	0	3,103	-11,279	-8,176	8,176	0
Transfer of amount equivalent to depreciation from HRA to MRR	0	4,304	0	0	0	-4,304	0	0	0
Movements in the fair value of investment properties	0	0	0	0	178	0	178	-178	0
Capital grants and contributions credited to the CI&E Statement	0	0	0	1,660	-1,660	0	0	0	0
Net gain or loss on sale or derecognition of non-current assets	4,303	0	0	0	-505	-540	3,258	-3,258	0
Transfer to/from Deferred Capital Receipts	10	0	0	0	28	0	38	-38	0
Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under pension scheme regulations	0	0	0	0	1,563	59	1,622	-1,622	0
Amount by which Council Tax/NDR Income taken to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	1,492	0	1,492	-1,492	0
Amount by which short term accumulated absences charged to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	7	0	7	-7	0
Statutory Provision for repayment of Principal	0	0	0	0	-580	0	-580	580	0
Capital expenditure charged to the General Fund/HRA Balances	0	0	0	0	-116	0	-116	116	0
Transfer from Capital Receipts Reserve equal to amount payable to Housing Receipts Pool	-897	0	0	0	897	0	0	0	0
Usable Reserves used to Finance Capital Expenditure	-3,456	-4,293	0	-1,566	0	0	-9,315	9,315	0
Net Increase/Decrease(-) before transfers to Earmarked Reserves	-40	11	0	94	1,946	4,515	6,526	32,851	39,377
Transfers to/from(-) Earmarked Reserves	0	0	1,489	0	-1,489	0	0	0	0
Increase /Decrease(-) in year	-40	11	1,489	94	457	4,515	6,526	32,851	39,377
Balance at 31 March 2018 carried forward	4,904	1,665	23,916	2,708	3,785	18,137	55,115	262,110	317,225

HARROGATE BOROUGH COUNCIL

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	2018/19 Expenditure £'000	2018/19 Income £'000	2018/19 Net Cost £'000	2017/18 Expenditure £'000	2017/18 Income £'000	2017/18 Net Cost £'000
<i>Housing General Fund</i>	2,908	-1,179	1,729	2,512	-950	1,562
<i>Parks & Environmental Services</i>	11,383	-5,931	5,452	11,384	-5,403	5,981
<i>Safer Communities</i>	3,098	-4,088	-990	2,406	-4,084	-1,678
<i>Finance</i>	24,670	-22,228	2,442	27,824	-24,960	2,864
<i>Legal & Governance</i>	3,257	-185	3,072	3,252	-487	2,765
<i>Information, Communications & Technology</i>	2,765	0	2,765	2,486	-1	2,485
<i>Organisational Development & Improvement</i>	1,990	-61	1,929	2,413	-38	2,375
<i>Culture, Tourism & Sport</i>	7,449	-5,374	2,075	7,154	-5,153	2,001
<i>Place Shaping & Economic Growth</i>	11,297	-5,559	5,738	8,924	-4,810	4,114
<i>Harrogate Convention Centre</i>	5,313	-4,615	698	5,039	-5,042	-3
<i>Corporate*</i>	4,660	-281	4,379	1,141	-306	835
<i>Housing Revenue Account</i>	11,065	-17,244	-6,179	-4,107	-17,476	-21,583
Cost of Services	89,855	-66,745	23,110	70,428	-68,710	1,718
Other Operating Expenditure						
Parish Precepts	941	0	941	888	0	888
Council Tax Support Grants to Parishes	0	0	0	27	0	27
Contribution to Housing Pooled Capital Receipts	797	0	797	897	0	897
Gain(-) or loss on disposal of Non-current assets	0	-1,054	-1,054	0	-1,081	-1,081
Financing & Investment Income & Expenditure						
External Interest Payments (note 11b)	1,589	0	1,589	1,590	0	1,590
Net Interest on the Net Defined Benefit Liability (Asset) (note 26)	941	0	941	1,037	0	1,037
External Interest Income (note 11b)	0	-372	-372	0	-225	-225
Investment Property Income & Expenditure (note 10)	266	-315	-49	178	-270	-92
Taxation and Non Specific Grant Income						
Income from Council Tax	0	-15,410	-15,410	0	-14,890	-14,890
Capital Grant Income (note 21)	0	-2,250	-2,250	0	-1,660	-1,660
Other Non-ringfenced Government Grants (note 21)	0	-6,995	-6,995	0	-3,965	-3,965
Revenue Support Grant	0	0	0	0	-399	-399
Non-Domestic Rates Income and Expenditure *	54,598	-56,494	-1,896	21,120	-23,083	-1,963
Surplus(-) or Deficit on the Provision of Services	148,987	-149,635	-648	96,165	-114,283	-18,118
Surplus(-) or Deficit on the Revaluation of Non-current Assets			-4,171			-15,896
Remeasurements pension assets/liabilities (note 26)			-9,831			-5,363
Other Comprehensive Income & Expenditure			-14,002			-21,259
Total Comprehensive Income & Expenditure			-14,650			-39,377

* In 2018/19, this line includes the additional past service pension costs associated with the GMP/McCloud cases – see notes 4 and 26.

** In 2018/19, the Council was part of the Leeds City Region 100% business rates retention pilot, which meant that the income retained by the Council, and the tariff payable by the Council, were significantly higher than in 2017/18.

HARROGATE BOROUGH COUNCIL
BALANCE SHEET AS AT 31 MARCH 2019

	Note	2019 £'000	2018 £'000
Property, Plant & Equipment	8		
Council Dwellings		237,366	235,528
Other Land & Buildings		92,921	89,868
Vehicles, Plant & Equipment		7,826	7,615
Infrastructure Assets		737	568
Community Assets		2,161	2,088
Surplus Assets		5,733	6,010
Assets Under Construction		1,992	1,506
		<u>348,736</u>	<u>343,183</u>
Heritage Assets	9	40,622	39,618
Investment Property	10	4,463	4,729
Intangible Assets		289	105
Long Term Debtors – Housing Loans	11	532	559
Long Term Assets		<u>394,642</u>	<u>388,194</u>
Short Term Investments	11	31,047	28,038
Assets Held for Sale	12	0	12
Inventories		168	141
Short Term Debtors	13	7,716	5,142
Cash & Cash Equivalents			
Cash In Hand/At Bank	11	291	15
Cash Equivalents	11	9,580	4,780
Current Assets		<u>48,802</u>	<u>38,128</u>
Bank Overdraft	11	0	-620
Short Term Borrowing	11	-26	-26
Short Term Creditors	14	-13,431	-12,554
Provisions	15	-4,888	-2,388
Grants Receipts in Advance (Revenue)	21	-476	-1,143
Grants Receipts In Advance (Capital)	21	-699	0
Current Liabilities		<u>-19,520</u>	<u>-16,731</u>
Long Term Borrowing	11	-53,073	-53,078
Provisions	15	-2,910	-1,000
Other Long Term Liabilities – Pensions Liability	26	-36,066	-38,288
Long Term Liabilities		<u>-92,049</u>	<u>-92,366</u>
Net Assets		<u>331,875</u>	<u>317,225</u>
Usable Reserves			
Usable Capital Receipts Reserve		5,822	4,904
Major Repairs Reserve		976	1,665
General Fund Earmarked Reserves	7	23,623	23,916
Capital Grants Unapplied Account		2,968	2,708
Working Balances:			
General Fund		2,657	3,785
HRA		22,161	18,137
Unusable Reserves			
Revaluation Reserve	16	76,821	73,571
Capital Adjustment Account	16	233,693	229,682
Deferred Capital Receipts	16	532	559
Pensions Reserve	16	-36,066	-40,129
Accumulated Absences Adjustment Account	16	-499	-488
Collection Fund Adjustment Account	16	-813	-1,085
Total Reserves		<u>331,875</u>	<u>317,225</u>

HARROGATE BOROUGH COUNCIL
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	2018/19 £'000	2017/18 £'000
Operating Activities		
Net surplus(-) or deficit on the provision of services excluding interest transactions:		
External Interest paid	-1,865	-19,483
External Interest received	1,589	1,590
	<u>-372</u>	<u>-225</u>
Net surplus(-) or deficit on the provision of services	-648	-18,118
Adjust net surplus(-) or deficit for non-cash movements:		
Depreciation and amortisation	-3,266	-2,798
Impairment and revaluations	-342	15,100
Increase(-)/decrease in impairment for bad debts	-1,057	-286
Increase(-)/decrease in other provisions	-4,411	-1,434
Increase(-)/decrease in creditors	-1,106	860
Increase/decrease(-) in debtors	2,335	1,170
Increase/decrease(-) in inventories	27	8
Pension Liability – contributions more/less(-) than IAS19 Costs	-7,609	219
Carrying amount of non-current assets sold or derecognised	-3,495	-3,258
Increase(-)/decrease in Major Repairs Reserve (MRR)	689	-11
Adjust net surplus(-) or deficit for investing activity items:		
Less purchase of property, plant and equipment from MRR	-5,283	-4,293
Proceeds from the sale of non-current assets	4,526	4,303
Less Capital Grants credited to CI&ES	2,250	1,660
Less other Capital Receipts	-26	-28
	<u>-17,416</u>	<u>-6,906</u>
Net Cash Flows from Operating Activities	-17,416	-6,906
Investing Activities		
Purchase of property, plant & equipment and intangible assets	13,836	11,959
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-4,526	-4,313
Capital grants received	-2,687	-1,778
Proceeds from(-)/purchase of short term deposits	3,010	8,867
	<u>9,633</u>	<u>14,735</u>
Net Cash Flows from Investing Activities	9,633	14,735
Financing Activities		
Repayments of long & short term borrowing	5	4
Change in net debtors for Council Tax and NDR income	2,082	2,272
	<u>2,087</u>	<u>2,276</u>
Net Cash Flows from Financing Activities	2,087	2,276
Net Increase(-)/Decrease in Cash & Cash Equivalents	-5,696	10,105
Cash & Cash Equivalents at the beginning of the reporting period		
Bank overdraft	620	62
Cash at Bank/in hand	-15	-21
Cash Equivalents*	-4,780	-14,321
	<u>-4,175</u>	<u>-14,280</u>
Cash & Cash Equivalents at the end of the reporting period		
Bank overdraft	0	620
Cash at Bank/in hand	-291	-15
Cash Equivalents*	-9,580	-4,780
	<u>-9,871</u>	<u>-4,175</u>

* Short Term Investments that mature within one month of date of acquisition
Credit cash balances are depicted as negative amounts

1. Accounting Policies

i. General Principles

The Accounts have been prepared in accordance with the 2018/19 Code of Practice on Local Authority Accounting issued in February 2018 by the Chartered Institute of Public Finance and Accountancy (CIPFA), based on International Financial Reporting Standards. The Accounts have been prepared under the historical cost convention modified to account for the revaluation of non-current assets. All the figures presented are rounded to varying levels of precision and this is made clear in each case.

ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council has adopted a policy of cash equivalents being short term investments which mature within one month of their acquisition.

iv. Contingent Assets and Liabilities

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

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

v. Employee Benefits

Benefits Payable during Employment

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

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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 Non Distributed Costs within the Corporate line in the Comprehensive Income and Expenditure Statement, at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for restructuring.

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

Retirement Benefits

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

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

The Local Government Pension Scheme

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

- The liabilities of the NYCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees
- Liabilities are discounted to their value at current price, using a discount rate of 2.4% (based on the indicative rate of return on AA-rated corporate bonds)
- The assets of the NYCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value

- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

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

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

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

vii. Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. This means that for all the Council's borrowings the amount presented in the Balance Sheet is the outstanding principal plus accrued interest repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

viii. Financial Assets

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

Expected Credit Loss Model:

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

are shown in the relevant service line, general revenue grants and capital grants are shown in the Non Specific Grant Income lines.

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

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

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

x. Heritage Assets

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

- **Museums and Art Exhibits**

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

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

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

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

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

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

- **Civic Regalia:**

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

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

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

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

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

- **Memorials and Monuments:**

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

Acquisitions and disposals are not expected in this category.

- **Buildings:**

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

Acquisitions and disposals are not expected in this category.

xi. Intangible Assets

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

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

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

xii. Inventories

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

xiii. Investment Property

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

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

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

Depreciation is not charged on Investment Property.

xiv. Operating Leases

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

xv. Costs of Support Services

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

xvi. Property, Plant and Equipment

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

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

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

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

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

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

Componentisation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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.

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 are payable to the Government.

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

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

xvii. Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Provisions are reviewed at the end of each financial year and where it has become less

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

probable that a transfer of economic benefits will now be required, or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

xviii. Reserves

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

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

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

ix. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the General Fund Balance so there is no impact on the level of Council Tax.

xx. Value Added Tax (VAT)

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

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

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

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

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

xxi. Internal Interest

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

xxii. Borrowing Costs

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

xxiii. Exceptional items and prior year adjustments

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

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

xxiv. Collection Fund

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

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

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

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

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

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

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

xxv. Fair Value

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

- a) in the principal market for the asset or liability, or

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

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

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

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

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

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

2. Accounting Standards Issued but not yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. The accounting standards that will result in amendments to the 2019/20 Code include:

IAS 40 Investment Property: transfers of investment property

Annual improvements to IFRS Standards 2014 - 2016 cycle

IFRIC 22 Foreign currency transactions and advance consideration

IFRIC 23 Uncertainty over income tax treatments

IFRS 9 Financial Instruments: prepayment features with negative compensation

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

3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. 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.

4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

The items on the Council's Balance Sheet at 31 March 2019 for which there are significant risks of material adjustment in the forthcoming financial year are shown in the table overleaf:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	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 £5.8m. Under current accounting rules, any revaluation gain or loss has no impact on the Housing Revenue Account (HRA) Balance or council dwelling rents.
(b) Other property, plant and equipment	Judgements are made by valuers when valuing property. A wide range of variables are involved and some, such as building costs, can be volatile.	The balance sheet values of the non-current assets could change. A 1% change in the net book value of other land and buildings would amount to £0.9m. Under current accounting rules, any revaluation gain or loss has no impact on the General Fund or HRA Balances.
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. Depreciation charges (above a statutory minimum) are reversed out of the accounts meaning that any change would not impact upon the net cost of the General Fund or HRA Balances.
Business Rates	Since the introduction of the Business Rates Retention Scheme from 1 April 2013, Local Authorities have become liable for a proportion of the cost of successful appeals against business rates charged to businesses. A provision has therefore been recognised for an estimate of the amount that businesses have been overcharged up to 31 March 2018. The estimate has been calculated in two parts. Firstly, in relation to the 2010 rating list, by using the Valuation Office ratings list of appeals and historical analysis of successful appeals. Secondly, in relation to the 2017 rating list, because there is a new appeals process in place and data to date is extremely limited, by using the allowance included within the business rates multiplier for appeals and multiplying it by the rateable value, and then adjusting for the few	There are a number of variables that can affect the calculated level of provision. For example, a 1% increase in the historic reduction in RV of all successful appeals would result in the provision relating to the 2010 list increasing by £91k. In terms of the 2017 rating list, a further 0.5% increase in the assumed reduction in total rateable value due to appeals would increase the provision by £830k. The Council's share of the provision is 90%.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	Uncertainties	Effect if Actual Results Differ from Assumptions
	amendments that have so far been made to valuations.	
Pensions Liability	<p>Estimation of the net liability to pay pension depends on a number of complex factors. Actuaries make judgements in relation to factors such as the rate of inflation, the rate of increase in salaries, and mortality rates. There is an additional level of estimation involved in the 18/19 figures, as the actuaries have estimated the effect on the pension liability of two legal cases; the McCloud/Sargeant case and Guaranteed Minimum Pension (GMP) Indexation and Equalisation. The exact method for calculating the impact of the McCloud case is currently not clear, so the actuaries have based it on a 'worst-case' scenario. In addition, the actuaries have based some elements of the calculation on averages for the pension fund as a whole, whereas in reality the impact will vary depending on individual employers' membership profiles. The effect of the GMP case has been based on an estimate of the impact on a typical local government pension scheme fund, although the impact of this case is smaller than for McCloud.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured – for example, a 0.1% increase in the rate of increase in salaries assumption would increase the pension liability by £1.12m. However, changes are complex because the different assumptions interact. Under current accounting rules, a change in the pension liability does not impact upon the net cost of the General Fund or HRA Balances.</p>

5. Events after the Reporting Period

All events between the balance sheet date and the date the accounts were authorised for issue by the Head of Finance of 22 July 2019 have been considered and there are no post reporting period events to disclose.

6. Adjustments between Accounting and Funding Basis under Regulations

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

General Fund Balance - The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However, the balance is not available to be applied to fund HRA services.

Housing Revenue Account Balance - The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

7. Movements in General Fund Earmarked Reserves

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

	1 April 2017	Transfers In 2017/18	Transfers Out 2017/18	31 March 2018
	£'000	£'000	£'000	£'000
Council Investment Reserve	13,942	3,212	-1,722	15,432
Service Reserves	3,289	788	-1,330	2,747
Insurance Reserve	629	211	-254	586
Corporate Projects Reserve	243	0	-91	152
Innovate Reserve	299	100	-127	272
Council Tax/Housing Benefit Reserve	538	86	-283	341
Budget Transition Fund	1,411	467	-1,191	687
Business Rates Retention Reserve	0	784	0	784
Other Earmarked Reserves	2,076	1,582	-743	2,915
Total 2017/18	22,427	7,230	-5,741	23,916

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

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

a) Movement on Balances 2018/19

	Property, Plant and Equipment							
	Council Dwellings	Other Land & Building	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
1 April 2018	235,528	90,354	17,621	3,349	2,088	6,010	1,506	356,456
Additions	6,071	4,574	1,952	381	73	0	649	13,700
Revaluation Increases/decreases (-) to RR*	164	2,272	640	0	0	175	0	3,251
Revaluation Increases/decreases (-) to SDPS**	-3,632	-187	-182	0	0	-1,111	0	-5,112
Derecognition – Disposals	-1,534	-1,993	-737	0	0	0	0	-4,264
Derecognition – Other	0	0	0	0	0	0	0	0
Reclassifications	769	-183	-1,136	0	0	711	-163	-2
31 March 2019	237,366	94,837	18,158	3,730	2,161	5,785	1,992	364,029
Depreciation and Impairment								
1 April 2018	0	-486	-10,006	-2,781	0	0	0	-13,273
Depreciation Charge to SDPS**	-4,408	-1,705	-1,462	-212	0	-52	0	-7,839
Depreciation charge written out on revaluation	4,380	235	182	0	0	240	0	5,037
Impairment Losses/reversal to RR*	0	0	0	0	0	0	0	0
Impairment Losses/reversal to SDPS**	0	0	0	0	0	0	0	0
Derecognition – Disposals	29	37	714	0	0	0	0	780
Derecognition – Other	0	0	0	0	0	0	0	0
Reclassifications	-1	3	240	0	0	-240	0	2
31 March 2019	0	-1,916	-10,332	-2,993	0	-52	0	-15,293
Net Book Value at 31 March 2019	237,366	92,921	7,826	737	2,161	5,733	1,992	348,736
Net Book Value at 31 March 2018	235,528	89,868	7,615	568	2,088	6,010	1,506	343,183

*RR = Revaluation Reserve

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

b) Movement on Balances 2017/18

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
1 April 2017	222,397	72,067	16,171	3,238	2,001	705	8,117	324,696
Additions	3,832	5,074	1,912	111	87	0	1,199	12,215
Revaluation Increases/decreases (-) to RR*	-366	12,153	75	0	0	3,123	0	14,985
Revaluation Increases/decreases (-) to SDPS**	11,461	-3,963	-177	0	0	1,227	0	8,548
Derecognition – Disposals	-1,549	-447	-360	0	0	0	0	-2,356
Derecognition – Other	0	0	0	0	0	0	0	0
Reclassifications	-247	5,470	0	0	0	955	-7,810	-1,632
31 March 2018	235,528	90,354	17,621	3,349	2,088	6,010	1,506	356,456
Depreciation and Impairment								
1 April 2017	0	-1,462	-9,262	-2,549	0	0	0	-13,273
Depreciation Charge to SDPS**	-4,151	-1,447	-1,266	-232	0	-6	0	-7,102
Depreciation charge written out on revaluation	4,122	2,416	185	0	0	6	0	6,729
Impairment Losses/reversal to RR*	0	0	0	0	0	0	0	0
Impairment Losses/reversal to SDPS**	0	0	0	0	0	0	0	0
Derecognition – Disposals	29	7	337	0	0	0	0	373
Derecognition – Other	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
31 March 2018	0	-486	-10,006	-2,781	0	0	0	-13,273
Net Book Value at 31 March 2018	235,528	89,868	7,615	568	2,088	6,010	1,506	343,183
Net Book Value at 31 March 2017	222,397	70,605	6,909	689	2,001	705	8,117	311,423

*RR = Revaluation Reserve

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

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

c) Depreciation

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

d) Capital Commitments

The Council has authorised expenditure in 2019/20 of £23.1m (plus expenditure carried forward from 2018/19 of £5.7m) (£20.2m authorised in 2018/19 as at 31 March 2018 plus £2.7m carried forward). At 31 March 2019 £119k is contractually committed, being: £40k for car park refurbishments, £33k for the Vehicle Replacement Programme, £31k for computer equipment, £12k for refurbishment of Workshops units and £3k of various small commitments (£1.1m for the Vehicle Replacement Programme, £0.9m for car park refurbishments, £0.4m for Ripon pool and £0.1m for playground refurbishments at 31 March 2018).

e) Effects of changes in Estimates

There were no material charges in the 2018/19 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 2019, and the basis of all valuations is explained in Accounting Policy note 1(xvi).

Most of the properties were valued by internal valuers; Giles Cooper BSc MRICS, Susan Beaumont BSc (Hons) MRICS, Emma Guy BSc (Hons) MRICS, Lisa Corby BSc (Hons) MRICS, Glenn Levison BSc (Hons) MRICS, Susan Jackson BSc (Hons), James Bean BSc (Hons) FRGS, and Amy Wai (the latter three under the supervision of one of the other internal RICS registered valuers). Council dwellings and other HRA properties were valued by external valuers Kier; and Victoria Gardens Shopping Centre, the district heating and refrigeration systems, the combined heat and power unit and the Harrogate Tourist Information Centre were valued by external valuers Sanderson Weatherall.

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

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets
	£'000	£'000	£'000	£'000
Valued at Historic Cost	0	0	6,439	737
Valued at current value in:				
2014/15	0	5,477	62	0
2015/16	0	30,217	0	0
2016/17	0	9,574	0	0
2017/18	0	36,930	299	0
2018/19	237,366	10,723	1,026	0
Total	<u>237,366</u>	<u>92,921</u>	<u>7,826</u>	<u>737</u>

	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment
	£'000	£'000	£'000	£'000
Valued at Historic Cost	2,161	0	1,992	11,329
Valued at current value in:				
2014/15	0	0	0	5,539
2015/16	0	95	0	30,312
2016/17	0	15	0	9,589
2017/18	0	5,598	0	42,827
2018/19	0	25	0	249,140
Total	<u>2,161</u>	<u>5,733</u>	<u>1,992</u>	<u>348,736</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

The revaluation of Council Dwellings resulted in a reversal of previous revaluation losses of £752k, reflecting the current housing market.

9. Heritage Assets

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

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

***RR – Revaluation Reserve**

1 April 2017	8,488	411	1,916	27,862	38,677
Additions	30	0	0	0	30
Donations	0	0	0	0	0
Derecognition – other	0	0	0	0	0
Revaluation Increases/ decreases (-) to RR*	18	0	57	836	911
31 March 2018	8,536	411	1,973	28,698	39,618

***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 2018/19 by the Curator of Art for acquisitions since that date, purchases being at cost, and donations at valuation, and the movements are shown as additions in the year.

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

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

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

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

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

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

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

Civic Regalia

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

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

The majority of the civic regalia collection is kept in secure storage, although 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. This insurance valuation for the estimated cost of replacement is provided by the Council's Assets Manager and is based on rebuilding costs, which are reviewed annually.

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

The increase in valuation in 2018/19 reflects an inflationary increase in the assessment of the rebuilding cost of all the memorials and monuments.

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

Buildings

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

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

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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 Knaresborough House, but in accordance with the accounting code of practice these are treated as operational assets. They are included in the Property, Plant and Equipment Category on the Balance Sheet at current value and are not included as Heritage Assets.

The Council does not possess any intangible heritage assets.

10. Investment Property

The Council received rental income of £315k from investment property in 2018/19 (£270k in 2017/18) and direct operating expenses amounted to £0k (£0k in 2017/18). As part of the asset revaluation process in 2018/19 the Council's internal valuers have reviewed all of the investment properties and are not aware of any material restrictions on the realisability of investment property or the remittance of income and proceeds on disposal.

A reconciliation of the carrying amounts of investment property at the beginning and end of 2017/18 and 2018/19 is set out below:

	31 March 2019	31 March 2018
Fair Value	£'000	£'000
1 April	4,729	4,562
Disposals	0	0
Net gains or losses(-) from fair value adjustments	-266	-178
Reclassifications	0	345
31 March	4,463	4,729

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 and 2018 are as follows:

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

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2018 Comparative Figures:

	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2018 £'000
<i>Recurring fair value measurements using:</i>				
Shopping centre	0	3,950	0	3,950
Secondary Industrial Land	0	0	701	701
Garage block	0	0	78	78
Total	0	3,950	779	4,729

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

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

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

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

Highest and Best Use of Investment Properties

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

Valuation Process for Investment Properties

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

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

11. Financial Instruments

Following the CIPFA Code adoption of IFRS 9 'Financial Instruments' in 2018/19, the categorisation of financial assets and liabilities has changed. The Council now recognises and measures all of its current financial assets and liabilities at amortised cost. There has been no change to the value of any assets or liabilities as a result of this reclassification.

a) Categories for Financial Instruments

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

Financial Assets	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Amortised Cost								
Principal	0	0	532	559	31,000	28,000	5,925	3,343
Investment accrued interest	0	0	0	0	47	38	0	0
Cash & cash equivalents	0	0	0	0	9,871	4,795	0	0
Total Financial Assets	0	0	532	559	40,918	32,833	5,925	3,343

Financial Liabilities	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Amortised Cost								
Principal	53,073	53,078	0	0	5	624	8,165	8,616
Loans accrued interest	0	0	0	0	21	22	0	0
Total Financial Liabilities	53,073	53,078	0	0	26	646	8,165	8,616

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

b) Income, Expense, Gains and Losses

Interest income of -£372k (-£225k 2017/18) on financial assets at amortised cost and interest expense of £1,589k (£1,590k 2017/18) 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 £1,217k in the year (£1,365k net expense in 2017/18).

c) Fair Value of Financial Assets and Liabilities

	Carrying Amount 2019 £'000	Fair Value 2019 £'000	31 March	
			Carrying Amount 2018 £'000	Fair Value 2018 £'000
Financial Liabilities at amortised cost				
PWLB loans	53,099	63,033	53,104	61,991
Bank overdraft	0	0	620	620
Total	53,099	63,033	53,724	62,611
Financial assets at amortised cost	40,918	40,918	32,833	32,833

Financial Liabilities consists of a bank overdraft (in 2017/18 only) and Public Works Loan Board (PWLB) loans. The fair value of PWLB loans is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender agreed to early repayment of the loan. The fair value has been assessed by calculating the present value of the remaining cash flows by reference to the PWLB 'premature repayment' set of rates in force at the balance sheet date.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £53,099k would be valued at £59,982k. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £9,934k for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £63,033k.

In 2018/19 the fair value of financial assets 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.

See note 28 for further information regarding financial instruments.

12. Assets Held for Sale

	31 March 2019 £'000	31 March 2018 £'000
Balance outstanding at start of year	12	0
Assets newly qualified as held for sale:		
Property, Plant & Equipment	0	1,287
Assets sold	-12	-1,275
Balance outstanding at year-end	0	12

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

13. Debtors

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

	31 March	
	2019	2018
	£'000	£'000
Central Government Bodies	1,691	1,385
NHS Bodies	0	5
Other Local Authorities	2,480	808
Other entities and individuals	1,847	1,238
<i>Impairment Allowance</i>	-93	-93
	<u>1,754</u>	<u>1,145</u>
Payments in Advance	674	886
Total Customer Debtors	6,599	4,229
NDR/Council Taxpayers	3,053	1,779
<i>Impairment Allowance</i>	-2,017	-959
	<u>1,036</u>	<u>820</u>
Housing Rents	279	292
<i>Impairment Allowance</i>	-198	-199
	<u>81</u>	<u>93</u>
Total Statutory Debtors	1,117	913
Net Debtors	7,716	5,142
Total Impairment Allowance	-2,308	-1,251

14. Creditors

	31 March	
	2019	2018
	£'000	£'000
Central Government Bodies	-688	-2,167
Other Local Authorities	-3,035	-3,177
Housing Rents	-206	-175
NDR/Council Taxpayers	-61	-52
Other entities and individuals	-4,442	-3,272
Receipts in Advance (Non-Grant Income)	-4,999	-3,711
Total	-13,431	-12,554

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

15. Provisions

Current Liabilities:

	1 April 2018	Additional Provision In Year	Used In Year	Released In Year	31 March 2019
	£'000	£'000	£'000	£'000	£'000
NDR Appeals	-1,301	-3,586	1,102	0	-3,785
Insurance Liabilities	-247	-185	25	27	-380
Energy Bill Provision	-321	-62	0	171	-212
Redundancy Provision	-176	-139	153	2	-160
Other	-343	-25	0	17	-351
Total 2018/19	-2,388	-3,997	1,280	217	-4,888
Total 2017/18	-1,954	-1,528	968	126	-2,388

Long Term Liabilities:

	1 April 2018	Additional Provision In Year	Used In Year	Released In Year	31 March 2019
	£'000	£'000	£'000	£'000	£'000
NDR Appeals	-1,000	-2,757	847	0	-2,910
Total 2018/19	-1,000	-2,757	847	0	-2,910
Total 2017/18	0	-1,000	0	0	-1,000

Under the Business Rate Retention Scheme introduced on 1 April 2013, the Council has to make provision against its estimated liability for possible successful appeals against non-domestic rate (NDR) bills issued in 2018/19 and prior years. Payment from the provision will depend on the final settlement of these appeals by the Valuation Office and the time taken to settle appeals can vary significantly.

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

The provision for Energy Bills relates to a number of outstanding invoices from utility companies for gas and electricity used at a number of sites, mainly in relation to 2016/17 and 2017/18. The settlement date will depend on the receipt of outstanding invoices from Energy Companies.

The Redundancy Provision was used to meet the liabilities arising from redundancies in 2018/19 that had been negotiated in 2017/18. New provision has been made for redundancies negotiated in 2018/19 that will be paid in 2019/20.

Included within 'Other Provisions' is a provision for some disputed contract costs. The settlement date will depend upon when the dispute is resolved, though it is hoped that this will be in 2019/20.

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

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

16. Total Movement on Unusable Reserves

	1 April 2018	Gains/ Losses(-) in year	Transfers Between Reserves	31 March 2019
	£'000	£'000	£'000	£'000
Revaluation Reserve (see i below)	73,571	4,170	-920	76,821
Capital Adjustment Account (ii)	229,682	0	4,011	233,693
Deferred Capital Receipts (iii)	559	0	-27	532
Pension Reserve (iv)	-40,129	9,831	-5,768	-36,066
Accumulated Absences Adjustment Account (v)	-488	0	-11	-499
Collection Fund Adjustment Account (vi)	-1,085	0	272	-813
Total 2018/19	262,110	14,001	-2,443	273,668
	1 April 2017	Gains/ Losses(-) in year	Transfers Between Reserves	31 March 2018
	£'000	£'000	£'000	£'000
Revaluation Reserve (i)	58,406	15,896	-731	73,571
Capital Adjustment Account (ii)	214,200	0	15,482	229,682
Deferred Capital Receipts (iii)	597	0	-38	559
Pension Reserve (iv)	-43,870	5,363	-1,622	-40,129
Accumulated Absences Adjustment Account (v)	-481	0	-7	-488
Collection Fund Adjustment Account (vi)	407	0	-1,492	-1,085
Total 2017/18	229,259	21,259	11,592	262,110

i) Revaluation Reserve

The Revaluation Reserve contains revaluation gains made by the Council arising from increases in the value of its Property, Plant and Equipment recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	31 March 2019 £'000	31 March 2018 £'000
Balance at 1 April	73,571	58,406
Upward Revaluation of Assets	4,354	16,294
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-184	-398
Surplus or Deficit on revaluation of non-current assets not charged to the Surplus/Deficit on the Provision of Services	<u>4,170</u>	<u>15,896</u>
Difference between fair value depreciation and historical cost depreciation	-913	-693
Accumulated gains on assets sold	-7	-38
Amount written off to Capital Adjustment Account	<u>-920</u>	<u>-731</u>
Balance 31 March	<u>76,821</u>	<u>73,571</u>

ii) Capital Adjustment Account

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

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

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

	31 March 2019 £'000	31 March 2018 £'000
Balance 1 April	229,682	214,200
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement (CI&ES):		
Charges for the depreciation, amortisation and impairment of non-current assets	-7,860	-7,102
Revaluation losses on Property, Plant & Equipment	-871	-2,223
Reversal Revaluation Losses on Property, Plant & Equipment	796	17,501
Movement in the market value of Investment Property	-266	-178
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal	-3,495	-3,258
Capital Financing Applied in year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,811	3,456
Use of Major Repairs Reserve to finance new capital expenditure	5,283	4,293
Capital Grants and Contributions credited to the CI&ES that have been applied to capital financing	1,990	1,566
Statutory Provision for the repayment of Principal	799	580
Capital expenditure charged against General Fund and HRA balances	3,904	116
Adjusting amounts written out of the Revaluation Reserve	<u>920</u>	<u>731</u>
Balance at 31 March	<u>233,693</u>	<u>229,682</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

iii) Deferred Capital Receipts

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

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

	31 March 2019 £'000	31 March 2018 £'000
Balance at 1 April	559	597
New Deferred Receipts in year credited to CI&ES	0	0
Transfer to Usable Receipts reserve/GF Balance upon receipt of cash	-27	-38
Balance at 31 March	532	559

iv) Pensions Reserve

The Pensions Reserve is used to absorb the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31 March 2019 £'000	31 March 2018 £'000
Balance at 1 April	-40,129	-43,870
Remeasurement gains or losses (-) on pensions assets and liabilities	9,831	5,363
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the CI&ES	-11,802	-7,800
Employer's Pension Contributions payable in the year	6,034	6,178
Balance at 31 March	-36,066	-40,129

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

v) Accumulated Absences Adjustment Account

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

	31 March 2019 £'000	31 March 2018 £'000
Balance at 1 April	-488	-481
Reversal of accrual made at the end of the preceding year	488	481
Amounts accrued at the end of the current year	-499	-488
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	-11	-7
Balance at 31 March	-499	-488

vi) Collection Fund Adjustment Account

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

	31 March 2019 £'000	31 March 2018 £'000
Balance at 1 April	-1,085	407
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	-36	-165
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	308	-1,327
Balance at 31 March	-813	-1,085

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

17. Expenditure and Funding Analysis and Segmental Income

a) Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated from decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19	Net Expenditure chargeable to the General Fund and HRA balances	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Housing General Fund	1,661	27	41	0	1,729
Parks & Environmental Services	4,154	1,082	216	0	5,452
Safer Communities	-1,354	306	58	0	-990
Finance	2,230	93	119	0	2,442
Legal & Governance	2,987	43	42	0	3,072
Information, Communications & Technology	2,361	369	35	0	2,765
Organisational Development & Improvement	1,807	75	47	0	1,929
Culture, Tourism & Sport	1,143	806	126	0	2,075
Place Shaping and Economic Growth	4,350	1,247	141	0	5,738
Harrogate Convention Centre	618	6	74	0	698
Corporate	493	39	3,836	11	4,379
Housing Revenue Account (HRA)	-5,519	-752	92	0	-6,179
Net Cost of Services	14,931	3,341	4,827	11	23,110
Other Income & Expenditure	-17,534	-6,894	941	-271	-23,758
Transfers to/from(-) Earmarked Reserves	-293	0	0	293	0
Surplus(-) or Deficit	-2,896	-3,553	5,768	33	-648
Opening General Fund & HRA Balances at 31 March 2018	-21,922				
Surplus(-)/Deficit on General Fund and HRA Balances in year	-2,896				
Closing General Fund & HRA Balances at 31 March 2019*	-24,818				

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

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2017/18	Net Expenditure chargeable to the General Fund and HRA balances £000	Adjustments for Capital Purposes (Note i) £000	Net change for the Pensions Adjustments (Note ii) £000	Other Differences (Note iii) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Housing General Fund	1,422	118	22	0	1,562
Parks & Environmental Services	4,379	1,477	125	0	5,981
Safer Communities	-1,402	-311	35	0	-1,678
Finance	2,225	566	73	0	2,864
Legal & Governance	2,516	225	24	0	2,765
Information, Communications & Technology	2,178	287	20	0	2,485
Organisational Development & Improvement	2,055	288	32	0	2,375
Culture, Tourism & Sport	1,173	757	71	0	2,001
Place Shaping and Economic Growth	4,575	-543	82	0	4,114
Harrogate Convention Centre	-52	7	42	0	-3
Corporate	594	233	1	7	835
Housing Revenue Account (HRA)	-6,058	-15,583	58	0	-21,583
Net Cost of Services	13,605	-12,479	585	7	1,718
Other Income & Expenditure	-20,066	-2,299	1,037	1,492	-19,836
Transfers to/from(-) Earmarked Reserves	1,489	0	0	-1,489	0
Surplus(-) or Deficit	-4,972	-14,778	1,622	10	-18,118
Opening General Fund & HRA Balances at 31 March 2017	-16,950				
Surplus(-)/Deficit on General Fund and HRA Balances in year	-4,972				
Closing General Fund & HRA Balances at 31 March 2018*	-21,922				

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

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

i) Adjustments for Capital Purposes:

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

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

ii) Net Change for the Pensions Adjustments:

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

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

ii) Other Differences:

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

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

b) Segmental Income

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

	2018/19	2017/18
Services	£'000	£'000
Housing General Fund	-117	-215
Parks & Environmental Services	-4,836	-4,319
Safer Communities	-4,046	-4,068
Finance	-623	-595
Legal & Governance	-80	-54
Information, Communications & Technology	0	0
Organisational Development & Improvement	-54	-37
Culture, Tourism & Sport	-5,093	-4,980
Place Shaping and Economic Growth	-3,931	-3,746
Harrogate Convention Centre	-4,612	-5,037
Corporate	-26	-51
Housing Revenue Account (including rents)	-16,968	-17,181
Total	-40,386	-40,283

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

18. Members' Allowances and Expenses

Allowances paid in the year amounted to £354,000 in aggregate (£357,000 2017/18).

This comprised:	2018/19	2017/18
	£'000	£'000
Basic Allowances	235	252
Special Responsibility Allowances	93	80
Mayoral Allowance	15	15
Members' Car & Other Allowances	10	9
Expenses	1	1
	<hr/> 354	<hr/> 357

19. Employees' earnings

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

Remuneration Band		2018/19	2017/18
		Number of Employees	Number of Employees
£50,000 -	£54,999	3	4
£55,000 -	£59,999	1	6
£60,000 -	£64,999	6	1
£65,000 -	£69,999	1	1
		<hr/> 11	<hr/> 12

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.	b.		c.		d.		e.	
Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [(b) + (c)]		Total cost of exit packages in each band £'000	
Value	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0 - £20,000	2	2	7	13	9	15	53	133*
£20,001 - £40,000	0	0	5	5	5	5	159	153
£40,001 - £60,000	0	0	0	2	0	2	0	91
£60,001 - £80,000	1	0	0	0	1	0	66	0
£80,001 - £100,000	0	0	0	1	0	1	0	95
Total	3	2	12	21	15	23	278	472

* Includes £8k pension cost associated with a departure agreed in 16/17 (associated redundancy cost also included in 16/17).

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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
2018/19	£	£	£	£	£
Chief Executive (see note 1)	122,483	78	122,561	19,520	142,081
Director, Harrogate Convention Centre (see note 2)	83,983	26	84,009	15,117	99,126
Director, Harrogate Convention Centre (see note 2)	15,728	0	15,728	2,831	18,559
Director of Economy & Culture	84,938	63	85,001	15,289	100,290
Director of Corporate Affairs	87,968	78	88,046	15,834	103,880
Director of Community	87,968	7	87,975	15,834	103,809
Director of Major Projects (see note 3)	15,728	0	15,728	2,831	18,559
Head of Finance (see note 4)	42,962	11	42,973	7,735	50,708
Financial Services Manager (see note 5)	18,096	11	18,107	3,260	21,367

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

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

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

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

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

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2017/18	£	£	£	£	£
Chief Executive (see note 1)	120,259	200	120,459	22,355	142,814
Director, Harrogate Convention Centre	97,756	0	97,756	17,596	115,352
Director of Economy & Culture (see note 2)	22,024	35	22,059	3,965	26,024
Director of Economy & Culture (see note 2)	59,792	50	59,842	10,762	70,604
Director of Corporate Affairs	86,243	38	86,281	15,524	101,805
Director of Community	83,257	2	83,259	14,986	98,245
Head of Finance (see note 3)	27,757	0	27,757	4,996	32,753
Financial Services Manager (see note 4)	31,467	0	31,467	5,664	37,131

Note 1: The Chief Executive's salary for 2017/18 includes Acting Returning Officer Fees of £9,458.

Note 2: The Director of Economy & Culture post was occupied until 2 July 2017 and a new postholder commenced on 3 July 2017. The figures show the actual salary paid for the portion of the year that each postholder was in place.

Note 3: The Head of Finance post was occupied until 10 September 2017. The post remained vacant for the remainder of the year.

Note 4: The Financial Services Manager took on the role of Section 151 Officer from 11 September 2017 in the absence of a Head of Finance.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

20. External Audit Costs

	2018/19	2017/18
	£'000	Restated £'000
The following amounts were payable to the external auditors in the year:		
Fees for external audit services	39	51
Fees for certifying grant claims and returns	14	17*
Fees for non-audit work	2	2**
	55	70

* Restated figure – includes additional fees of £3,761 in respect of benefits work

** Restated figure – includes additional fees of £750 in respect of capital pooling work

21. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19:

	2018/19	2017/18
	£'000	£'000
Credited to Taxation and Non Specific Grant Income:		
Government Capital Grants		
Ministry of Housing, Communities & Local Government (Housing Grants)	87	370
Homes England (Housing Grants)	807	179
Other Capital Grants		
Developers Section 106 and other contributions (Housing & Play Areas)	1,139	965
FCC Communities Foundation (Little Ouseburn Play area)	64	36
Friends of the Valley Gardens, Japanese Garden and King Edwards Gates	64	80
Donated arts exhibits	81	23
Other small grants	8	7
	2,250	1,660
Other Government non-ringfenced grants		
New Homes Bonus Grant	1,158	1,227
Business Rate Relief Grants	5,811	2,330
Rural Service Delivery Grant	0	193
Transition Grant	0	193
Other Small Grants – Council Tax Annex Grant etc	26	22
	6,995	3,965
Credited to Services:		
Capital Grants to Finance Revenue Expenditure Funded by Capital under Statute		
Government Grants		
Ministry of Housing, Communities & Local Government (Housing Grants)	722	316
	722	316
Specific Revenue Grants		
Government Grants		
Department for Work and Pensions grants:		
Housing Rent Allowances	14,250	16,333
Housing Rent Rebates	6,507	7,097
Administration and various one-off grants	422	511
Ministry of Housing, Communities and Local Government:		
Housing, Planning & Finance	700	496
Lottery Grants (Cultural & Heritage Services)	238	409
Natural England (AONB, Planning Services)	175	178
Cabinet Office (Individual Electoral Registration)	20	25
Other Grants (Environment Agency, OFGEM, English Heritage, DoE)	147	16
	22,459	25,065
Non-Government Grants		
NYCC (Community Safety, Housing Services, Cultural Services)	200	23
Other Grants (Housing, Planning & Cultural Services)	220	229
	420	252
Total Grants and Contributions	32,846	31,258

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

In 2018/19, in addition to the above £1,175k of grant income was held as receipts in advance. £699k of this was grant from Homes England to support housing development, £443k was Benefits Subsidy grant from the DWP, with the £33k balance being Business Rates grants from MHCLG. In 2017/18, grants receipts in advance income was £1,143k. £1,137k of this was Benefits Subsidy grant from the DWP, with the balance being Business Rates grants from MHCLG.

22. Related Party Transactions

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

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

North Yorkshire County Council (NYCC) also exerts its influence through the provision of grants for various purposes (see note 21). In addition, the Council provides the following services on an agency basis to NYCC; the Council collected £2,962k of on-street parking income in 2018/19 (£2,939k 2017/18) and after deduction of related costs of £873k (£813k 2017/18), the balance of £2,089k (£2,126k 2017/18) was paid to NYCC in four quarterly instalments. NYCC were charged £91k (£90k 2017/18) for Grounds Maintenance works and paid £213k (£221k 2017/18) towards Housing Services lifelines and sheltered housing costs under the Supporting People Scheme. NYCC also paid £95k towards Community Safety expenditure (£97k 2017/18). NYCC were paid £98k (£82k 2017/18) for routine rentals for schools under Joint Use Agreements for Sport and Leisure Activities, and £98k for footway lighting, parish lighting and associated consultancy fees.

The North Yorkshire Police and Crime Commissioner paid £41k (£32k 2017/18) towards Community Safety expenditure.

Payments totalling £67k (£44k 2017/18) were paid to Parish and Town Councils towards the cost of Grounds & Cemeteries Maintenance, Community Projects, Major Event Funding and Christmas Lighting. Income of £12k (£8k 2017/18) was received for rental of recreation areas and properties leased to Parish and Town Councils.

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

There were no advances (£0k 2017/18) for car loans made to chief officers in the year under their conditions of service. Repayments of car loans were £8k (£10.5k 2017/18), leaving a balance of £2.5k (£10.5k 2017/18) at the year-end. Other transactions with these related parties are not listed individually, as their values are not regarded as material to a fair understanding of the accounts. This is on the basis of individual questionnaires returned by all senior officers, councillors and former councillors.

The Council incorporated a wholly-owned company, Bracewell Homes Ltd, in March 2019. There were no transactions between the Council and the company in 2018/19.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

23. Capital Expenditure and Capital Financing

	2018/19			2017/18
	General Fund	Housing Revenue Account	Total	
	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement	23,638	60,756	84,394	82,056
Capital Expenditure				
Property, Plant & Equipment	3,955	9,745	13,700	12,215
Heritage Assets	84	0	84	30
Intangible Assets	205	0	205	105
Revenue Expenditure Funded from Capital under Statute (included in the surplus on the Comprehensive Income & Expenditure Account)	763	0	763	404
	5,007	9,745	14,752	12,754
Sources of Finance				
Capital Receipts	0	-2,811	-2,811	-3,456
Grants and Contributions	-1,062	-1,651	-2,713	-1,882
Revenue	-3,945	0	-3,945	-205
Major Repairs Reserve	-0	-5,283	-5,283	-4,293
	-5,007	-9,745	-14,752	-9,836
Minimum Revenue Provision/set aside receipts	-799	0	-799	-580
Asset transfers between GF and HRA	-433	433	0	0
Closing Capital Financing Requirement	22,406	61,189	83,595	84,394
Explanation of movement in year				
Prudential borrowing (unsupported)	0	0	0	2,918
Asset transfers between GF and HRA	-433	433	0	0
Statutory Revenue set aside	-799	0	-799	-580
Increase / Decrease (-) in Capital Financing Requirement	-1,232	433	-799	2,338
Items of Capital Expenditure				
			2018/19	2017/18
			£'000	£'000
Improvements to Council Dwellings – inc new build and purchases			9,745	6,039
Vehicles and Plant			1,485	274
Tower Street car park refurbishment			937	117
Private Sector Housing Grants/Loans			722	316
Computer Investment			642	975
Ripon Pool			381	497
Turkish Baths improvements			283	16
Play Areas equipment			180	0
Open Space and Community Facilities			124	110
Art Exhibits			84	30
Valley Gardens improvements			72	87
Leeds City Region Revolving Investment Fund			41	89
Office Accommodation			30	3,958
Other schemes			26	0

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Multi-storey car park payment machines	<u>0</u>	<u>246</u>
	14,752	12,754

24. Operating Leasing Payments and Commitments

Council as Lessee:

Operating Leases (for land and buildings)

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

	2018/19	2017/18
	£'000	£'000
Minimum lease payments	85	82
Contingent rents	18	13
	<u>103</u>	<u>95</u>

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

	31 March	31 March
	2019	2018
	£'000	£'000
Not later than one year	84	81
Later than one year and not later than five years	173	239
Later than five years	55	38
	<u>312</u>	<u>358</u>

Council as Lessor:

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

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

i) Minimum lease payments received from lessees in the year were £1,034k (£1,006k in 2017/18).

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

	31 March	31 March
	2019	2018
	£'000	£'000
Not later than one year	664	645
Later than one year and not later than five years	1,162	1,216
Later than five years	12,342	12,545
	<u>14,168</u>	<u>14,406</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 2018/19 £376k of contingent rents were receivable (£320k in 2017/18).

25. Termination Benefits

During 2018/19, a total of 15 exit packages were agreed (23 in 2017/18), with an associated liability of £278k (£472k 2017/18) - see note 19(b) for the number of exit packages and total cost per band. The payments are due to officers from a range of services across the Council, including Safer Communities, Place Shaping & Economic Growth, Finance and ICT. Of the £278k (£472k 2017/18) payable, £139k was paid out during 2018/19 (£317k 2017/18), with a provision being created for the remaining £139k to be paid in 2019/20 (£155k in 2017/18 to be paid in 2018/19). Of the total payable, £139k related to pension costs (£277k 2017/18).

26. Defined Benefit Pension Schemes

a) Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

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

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

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

b) Transactions Relating to Retirement Benefits

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

	2018/19	2017/18
	£'000	£'000
Comprehensive Income & Expenditure Statement		
<i>Cost of Services:</i>		
<i>Service cost comprising:</i>		
• Current Service Cost	6,938	6,552
• Past Service Cost	3,923	211
• Gain(-)/loss from settlements	0	0
<i>Financing & Investment Income & Expenditure:</i>		
Net interest expense	941	1,037
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	<u>11,802</u>	<u>7,800</u>
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:</i>		
<i>Remeasurement of the net defined benefit liability comprising:</i>		
• Return on plan assets (excluding the amount included in the net interest expense)	14,170	11,314
• Experience gain/loss(-)	-427	-1,350
• Gain/loss(-) due to changes in demographic assumptions	11,531	0
• Gain/loss(-) due to changes in financial assumptions	-15,443	-4,601
	<u>9,831</u>	<u>5,363</u>
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	<u>21,633</u>	<u>13,163</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

b) Transactions Relating to Retirement Benefits (continued)

Movement in Reserves Statement	2018/19 £'000	2017/18 £'000
Reversal of net charges made to the Surplus or Deficit on the Provision of Services	-11,802	-7,800
<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>6,034</u>	<u>6,178</u>
Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under pension scheme regulations	<u>-5,768</u>	<u>-1,622</u>

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

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

	31 March 2019 £'000	31 March 2018 £'000
Present value of the defined benefit obligation	-287,623	-271,387
Fair value of plan assets	<u>251,557</u>	<u>233,099</u>
Net liability arising from defined benefit obligation	<u>-36,066</u>	<u>-38,288</u>

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

	31 March 2019 £'000	31 March 2018 £'000
Opening fair value of scheme assets 1 April	233,099	212,832
Interest on plan assets	6,039	5,578
Remeasurement gain/loss(-):		
• Return on plan assets, excluding the amount included in the net interest expense	14,170	11,314
Employer contributions	4,193	8,019
Member contributions	1,416	1,379
Benefits/transfers paid	<u>-7,360</u>	<u>-6,023</u>
Closing fair value of scheme assets 31 March	<u>251,557</u>	<u>233,099</u>

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

	31 March 2019 £'000	31 March 2018 £'000
Opening balance 1 April	271,387	256,702
Current service cost	6,938	6,552
Interest cost	6,980	6,615
Member contributions	1,416	1,379
Remeasurement gains(-) and losses:		
• Experience gain(-)/loss	427	1,350
• Gain(-)/loss due to changes in demographic assumptions	-11,531	0
• Gain(-)/loss due to changes in financial assumptions	15,443	4,601
Past service cost loss/gain(-) on curtailments	3,923	211
Benefits/transfers paid	<u>-7,360</u>	<u>-6,023</u>
Closing balance 31 March	<u>287,623</u>	<u>271,387</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

In 2017/18, the Council made a one-off payment to the Pension Fund of £3,927k to cover future deficit liabilities for the period from 2017/18 to 2019/20. In line with the Council's accounting policies, £2,086k was accounted for in 2017/18, with the remainder (£1,841k) being offset against the pension liability on the balance sheet. In 2018/19, the pension reserve (note 16iv, -£36,066k) and the net pension liability (-£36,066k) have been brought into line as the prepayment arrangements are accounted for.

f) Local Government Pension Scheme assets comprised:

	Quoted Price in Active Market Y/N	Fair Value of Scheme Asset 31 March			
		2019	2019	2018	2018
		%	£'000	%	£'000
Equities	Y	56.4	141,878	64.8	151,048
Property	Y	8.4	21,131	8.0	18,648
Government Bonds	Y	19.0	47,796	16.5	38,461
Corporate Bonds	Y	0.0	0	0.0	0
Cash	Y	4.9	12,326	0.2	466
Other	Y	4.2	10,565	10.5	24,476
Other	N	7.1	17,861	0.0	0
Total		100.0	251,557	100.0	233,099

g) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The NYCC fund liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

	2018/19	2017/18
The significant assumptions used by the actuary have been:		
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men:	22.2 yrs	22.9 yrs
Women:	25.3 yrs	26.4 yrs
Longevity at 65 for future pensioners		
Men:	23.9 yrs	25.1 yrs
Women:	27.2 yrs	28.7 yrs
Rate of Inflation CPI	2.20%	2.10%
Rate of Inflation RPI	3.30%	3.20%
Rate of increase in salaries	3.45%	3.35%
Rate of increase in pensions	2.20%	2.10%
Rate for discounting scheme liabilities	2.40%	2.60%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set in the table above. The sensitivity analysis below has been determined based on example changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions on longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the scheme
	£'000
Longevity (increase by 1 year)	9,147
Rate of increase in pensions (increase by 0.1% per annum)	4,322
Rate of increase in salaries (increase by 0.1% per annum)	1,124
Rate for discounting scheme liabilities (increase by 0.1% per annum)	-5,354

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 22 years; for Harrogate Borough Council, funding is currently at 100%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £4.1m (year to 31 March 2019 £4.0m).

The weighted average duration of the defined benefit obligation for scheme members is 18.8 years (18.8 years 2017/18).

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 (56% of scheme assets) and fixed income (19%), with investments also in property and alternatives. There has been some redistribution from equities to government bonds and cash in the year, in order to reduce the overall risk associated with the investment portfolio. This strategy is reviewed periodically, dependent on changes to market conditions and the solvency position of the Fund.

27. Contingent Assets and Contingent Liabilities

There are no contingent assets or liabilities as at 31 March 2019.

28. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

a) Credit Risk

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

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

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

	Amount at 31 March 2019 £'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 2018 £'000
Deposits with Banks and Financial Institutions	40,878	0.0	0.0	0	0
Customers:					
Government and Local Authorities	4,171	0.0	0.0	0	0
Other	1,754	2.5	3.5	60	40
				60	40

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

The Council does not generally allow credit for customers, such that £2.0m of the £5.9m balance is past its due date for payment. This amount can be analysed by age as follows:

	31 March 2019 £'000	31 March 2018 £'000
Less than three months	1,887	1,361
Three to six months	110	17
Six months to one year	0	8
More than one year	0	7
	1,997	1,393

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Amounts arising from expected credit loss

All of the Council's financial assets have been assessed as Stage 1 at both 31 March 2018 and 31 March 2019, which means that there has been no significant increase in their credit risk. The 12-month expected credit loss for these assets has been assessed as nil. Impairment allowances for losses in relation to receivables due from customers are shown within the debtors note (note 13). The Council calculates allowances based on estimated default rates in combination with specific adjustments for individual debts when appropriate. There is a rebuttable presumption in IFRS 9 that aged debt older than 30 days should be impaired. We have reviewed the aged debt older than 30 days, as disclosed above, and are satisfied that our existing impairment allowance adequately provides for this.

b) Liquidity Risk

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

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

The maturity analysis of financial liabilities is:	31 March 2019 £'000	31 March 2018 £'000
Less than one year	26	26
1 - 2 years	5	5
2 - 5 years	15,020	15,018
5 - 10 years	15,048	15,044
10 - 15 years	15,033	15,041
15 - 20 years	7,967	7,970
	<u>53,099</u>	<u>53,104</u>

c) Market Risk

Interest Rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance a rise in interest rates would have the following effects:

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

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

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

In 2018/19 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 2019, would be:

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	£'000
Decrease in fair value of fixed rate investment assets (no impact on CI&ES Statement)	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on CI&ES Statement)	4,875

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

d) Price Risk

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

e) Foreign Exchange Risk

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

29. Expenditure and Income Analysed by Nature

Expenditure/Income	2018/19 £'000	2017/18 £'000
Expenditure		
Employee expenses	36,442	32,084
Other service expenses	44,684	45,759
Support Service recharges	793	761
Depreciation, revaluation losses and impairments	7,936	-8,176
Interest and investment payments	2,796	2,805
Precepts and levies (inc Business Rates tariff)	55,539	22,035
Payments to Housing capital receipts pool	797	897
Total Expenditure	148,987	96,165
Income		
Fees, charges and other service income	-43,566	-43,330
Income from Council Tax and Business Rates	-71,904	-37,973
Government grants and contributions	-31,067	-30,294
Non-Government capital grants	-1,356	-1,111
Interest and investment income	-688	-495
Gain on disposal of non-current assets	-1,054	-1,080
Total Income	-149,635	-114,283
Surplus(-) or Deficit on Provision of Services	-648	-18,118

HARROGATE BOROUGH COUNCIL

MOVEMENT ON THE HOUSING REVENUE ACCOUNT (HRA) STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	31 March 2019	31 March 2018
	£'000	£'000
Note HRA Balance brought forward	-18,137	-13,622
Surplus (-) or Deficit in the year on HRA Income & Expenditure Statement	-5,186	-20,579
Adjustments between accounting basis and funding basis under regulations		
Gain or Loss (-) on sale of HRA non-current assets	502	540
HRA share of contributions to or from (-) the Pensions Reserve	-92	-59
Transfer to Major Repairs Reserve	4,594	4,304
Transfers to/from (-) the Capital Adjustment Account:		
2 Depreciation, impairments and revaluation losses	-3,842	11,279
Net increase (-) or decrease before transfers to or from Reserves	-4,024	-4,515
Increase (-) or decrease in the year on the HRA	-4,024	-4,515
HRA Balance carried forward	-22,161	-18,137

HARROGATE BOROUGH COUNCIL

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH
2019

	2018/19	2017/18
	£'000	£'000
Note Expenditure		
Repairs and maintenance	4,045	4,003
Supervision and management	3,067	3,076
2 Depreciation and impairments of non-current assets	3,842	-11,279
Debt Management Costs	31	36
Total Expenditure	10,985	-4,164
Income		
Dwelling Rents (gross)	-15,906	-16,045
Non-dwelling rents (gross)	-198	-207
Charges for services and facilities	-863	-948
Contributions towards expenditure	-277	-276
Total Income	-17,244	-17,476
Net Cost/Surplus (-) of HRA Services included in the Whole Authority Comprehensive Income and Expenditure Statement	-6,259	-21,640
HRA share of Corporate Costs	80	57
Net Cost/Surplus (-) of HRA Services	-6,179	-21,583
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	-502	-540
3 Interest payable	1,643	1,624
3 Investment Income	-148	-80
Surplus (-) or Deficit for the year on HRA services	-5,186	-20,579

HARROGATE BOROUGH COUNCIL

NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

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 2018/19 is presented in accordance with the Accounting Code of Practice.

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

2. Depreciation, Impairments and Revaluation Losses

	2018/19	2017/18
	£'000	£'000
Council Dwellings:		
Depreciation	4,408	4,151
Reversal Prior Year Revaluation Losses	-749	-15,583
Other Land and Buildings:		
Depreciation	142	109
Reversal Prior Year Revaluation Losses	-3	0
Vehicles, Plant & Equipment		
Depreciation	19	19
Infrastructure Assets		
Depreciation	25	25
	3,842	-11,279

During 2018/19, the valuation of the Council's housing stock was revised in line with the latest market values. This led to a £749k net increase in the valuation, which was credited to the HRA in 2018/19 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.

3. Capital Asset Charges Accounting Adjustment

HRA paid interest charges in 2018/19 in accordance with the Item 8 Credit and Item 8 Debit (General) Determination 2012 (as amended). Interest paid is related to the HRA Capital Financing Requirement (CFR) which represents the HRA share of the Council's borrowing for capital expenditure.

	2018/19	2017/18
	£'000	£'000
Interest Payable		
Interest on loans included in the HRA CFR	1,588	1,589
Interest on unfinanced HRA CFR	55	35
Total	1,643	1,624

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 (0.69% for 2018/19 and 0.46% in 2017/18).

HARROGATE BOROUGH COUNCIL

NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

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

Investment Income	2018/19	2017/18
	£'000	£'000
Average notional cash balance in year including Major Repairs Reserve	21,469	17,537
Average interest rate on approved investments	0.69%	0.46%
Interest on Notional Cash Balance	<u>-148</u>	<u>-80</u>

4. Council House Rent Arrears

For the financial year 2018/19 rent arrears from Council house tenants (both current and former) represented 1.76% of the total Council house rent income due (1.86% in 2017/18). This comprised 1.06% for current tenants (1.30% in 2017/18) and 0.70% for former tenants (0.56% in 2017/18). The arrears figures are as follows:

	2018/19	2017/18
	£'000	£'000
Arrears at 31 March:		
- current tenants	169	207
- former tenants	110	89
	<u>279</u>	<u>296</u>
Impairment of Debtors Allowance	<u>198</u>	<u>199</u>

5. Housing Stock

The Council was responsible for managing 3,869 dwellings as at 31 March 2019. The stock was made up as follows:

	31 March	31 March
	2019	2018
Houses	1,309	1,322
Flats, Bedsits and Maisonettes	1,803	1,790
Bungalows	674	672
Hostel Places	43	43
Shared Ownership*	40	17
	<u>3,869</u>	<u>3,844</u>

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

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

	2018/19	2017/18
Stock at 1 April	3,844	3,852
Sales to Council Tenants	-21	-24
Additions to council dwelling stock	23	4
Additions to Shared Ownership stock	23	12
Demolitions	0	0
	<u>3,869</u>	<u>3,844</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

6. Balance sheet values	31 March 19	1 April 18
	£'000	£'000
Council Dwellings	237,366	235,528
Other Land and Buildings	7,564	5,256
Vehicles, Plant and Equipment	740	759
Infrastructure Assets	116	64
Assets Under Construction	1,114	1,248
	<u>246,900</u>	<u>242,855</u>

The balance sheet value of dwellings at 1 April 2018 is £236m on a tenanted valuation (£222m 1 April 2017). The vacant possession value of dwellings at 1 April 2018 is £572m (£540m 1 April 2017). These two values show the economic cost of providing council housing at less than market rents.

7. Capital Expenditure Analysis	2018/19	2017/18
	£'000	£'000
HRA Capital Expenditure		
Planned maintenance and improvements	4,121	3,566
Purchase of properties to add to council dwelling stock	802	0
Purchase of Affordable housing for shared ownership	3,330	1,505
Construction of new dwellings	1,492	968
	<u>9,745</u>	<u>6,039</u>
HRA Capital Funding		
Major repairs reserve	-5,283	-4,293
Capital Contributions and Grants	-1,648	-1,310
Contributions to disabled adaptations	-3	-36
HRA capital receipts	-2,811	-400
	<u>-9,745</u>	<u>-6,039</u>

8. Capital Receipts Analysis	2018/19	2017/18
	£'000	£'000
Sale of council dwellings	-2,000	-2,057
Payment to national pool	797	896
Sale of shares in shared ownership properties	-1,994	-400
Balance of usable receipts available to finance capital expenditure	<u>-3,197</u>	<u>-1,561</u>

HARROGATE BOROUGH COUNCIL

THE COLLECTION FUND (ENGLAND) STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

		2018/19		2017/18
		£'000	£'000	£'000
Income				
Council Tax collectable – Note 1		-112,021		-105,866
Transfers to(-)/from General Fund:	Council Tax benefits	17		38
	Local discounts	2	-112,002	4
Non-Domestic (NDR) Rates collectable – Note 2			-63,471	-61,599
Total Income			-175,473	-167,423
Expenditure				
Council Tax Precepts and Demands:	North Yorkshire County Council	77,301		73,131
	North Yorkshire Police & Crime Commissioner	14,411		13,607
	North Yorkshire Fire and Rescue Authority	4,283		4,131
	Harrogate Borough Council	15,421	111,416	14,962
	NDR Share	Central Government	0	
Payments:	North Yorkshire County Council	5,544		5,469
	North Yorkshire Fire and Rescue Authority	616		608
	Harrogate Borough Council	55,445	61,605	24,305
	NDR charges/receipts (-)	Cost of collection allowance	287	
	Renewable Energy Payment to NYCC	237		0
	Transitional Protection Payments	-388	136	-33
Uncollectable Amounts:	Council Tax Allowance for Impairment	305		286
	Council Tax written off	359	664	229
	NDR Allowance for Impairment	269		502
	NDR Allowance for Appeals	1,688		2,717
	NDR written off	302	2,259	418
Council Tax surplus re prior year to:	NYCC, NYPCC & NYFRA		154	554
	HBC		25	92
NDR surplus/deficit(-) re prior year to:	Central Government, NYCC & NYFRA		-1,175	157
	HBC		-784	105
	Total Expenditure		174,300	171,908
Surplus(-)/Deficit for the year – Council Tax			257	1,167
Surplus(-)/Deficit for the year – NDR			-1,430	3,318
Total Surplus(-)/Deficit for the year			-1,173	4,485
Fund Surplus(-)/Deficit at start of year – Council Tax			146	-1,021
Fund Surplus(-)/Deficit at start of year – NDR			2,662	-656
Total Fund Surplus(-)/Deficit at start of year			2,808	-1,677
Fund Surplus(-)/Deficit at end of year – Council Tax (Note 3)			403	146
Fund Surplus(-)/Deficit at end of year – NDR (Note 4)			1,232	2,662
Total Fund Surplus(-)/Deficit at end of year			1,635	2,808

HARROGATE BOROUGH COUNCIL

THE COLLECTION FUND (ENGLAND) STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Note 1 Council Tax 2018/19

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

Valuation Band	Chargeable dwellings	Ratio to Band D	Band D Equivalents
A- (inc disabled relief)	29	5/9	16
A	5,062	6/9	3,375
B	10,497	7/9	8,164
C	13,547	8/9	12,042
D	9,412	9/9	9,412
E	8,679	11/9	10,608
F	6,002	13/9	8,670
G	5,227	15/9	8,712
H	587	18/9	1,174
Total	59,042		62,173
Adjustment for collection rate, banding appeals, contributions in lieu etc.			-275
Council Taxbase			61,898

The average Band D Council Tax of £1,784.80 (£1,706.94 in 2017/18) was set by dividing the total of Precepts and Demands on the Collection Fund by the Council Taxbase shown above (61,480 in 2017/18). The Council Tax for dwellings in other Valuation Bands is the appropriate Ratio of the Band D tax.

Council Tax collectable includes £850k (£864k in 2017/18) of Government contributions in lieu of Council Tax for Ministry of Defence properties.

Note 2 Non Domestic Rates 2018/19

Non-domestic rates are collected on an agency basis and shares of the amount collectable are distributed in accordance with Business Rate Retention legislation, the shares for 2018/19 being: 90% to HBC, 9% to NYCC and 1% to NYFRA.

The non-domestic rate was set by the Government at 49.3p for the year (47.9p 2017/18), and the total non-domestic rateable value at the end of the year was £164,358,388 (£162,976,822 2017/18). 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 deficit of £257k (£1,167k deficit 2017/18) is: NYCC £177k (£805k deficit 2017/18), NYPCC £34k (£151k deficit 2017/18), NYFRA £10k (£46k deficit 2017/18) and HBC £36k (£165k deficit 2017/18).

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

Note 4 Movement on the Fund Balance - NDR

Each Authority's share of the movement on the Fund Balance in the year, a surplus of £1,430k (£3,318k deficit 2017/18) is: Central Government £979k (£1,659k deficit 2017/18), NYCC £129k (£299k deficit 2017/18), NYFRA £14k (£33k deficit 2017/18) and HBC £308k (£1,327k deficit 2017/18).

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

HARROGATE BOROUGH COUNCIL

GLOSSARY OF TERMS FOR THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2019

Accounting Policies

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

Accruals

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

Amortisation

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

Capital Expenditure

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

Capital Receipts

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

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

Community Assets

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

Contingent Asset

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

Contingent Rent

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

Contingent Liability

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

or:

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

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

HARROGATE BOROUGH COUNCIL

GLOSSARY OF TERMS FOR THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2019

Creditors

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

Current Assets

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

Current Liabilities

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

Current Service Cost (Pensions)

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

Debtors

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

Depreciation

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

Earmarked Reserves

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

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Instruments

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

General Fund (GF)

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

Heritage Assets

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

Historical Cost

The amount of money originally paid for an asset.

HMRC

Her Majesty's Revenues and Customs.

Housing Revenue Account (HRA)

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

HARROGATE BOROUGH COUNCIL

GLOSSARY OF TERMS FOR THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2019

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. The Council was part of 100% retention pilot in 2018/19 and, as a result, shares of the income were paid over to North Yorkshire County Council (9%) and North Yorkshire Fire and Rescue Authority (1%), with 90% being retained by the Council.

Net Book Value

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

Non-current Assets

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

Operating Lease

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

Past Service Cost (Pensions)

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

Precept/Preceptors

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

Provision

A liability of uncertain timing or amount.

HARROGATE BOROUGH COUNCIL

GLOSSARY OF TERMS FOR THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2019

Prudential Borrowing

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

PWLB

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

Remeasurements of Pension Assets and Liabilities

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Revenue Support Grant (RSG)

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

Useful Life

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

HARROGATE BOROUGH COUNCIL

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

Opinion on the financial statements

We have audited the financial statements of Harrogate Borough Council ('the Council') for the year ended 31 March 2019, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement, the Housing Revenue Account Income and Expenditure Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we

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identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Head of Finance for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Head of Finance is also responsible for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Head of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Head of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We have nothing to report in these respects.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Harrogate Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Responsibilities of the Council

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

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

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

Use of the audit report

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

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Certificate

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

Mark Kirkham
For and on behalf of Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP
Date:

APPENDIX 1

ANNUAL GOVERNANCE STATEMENT
